

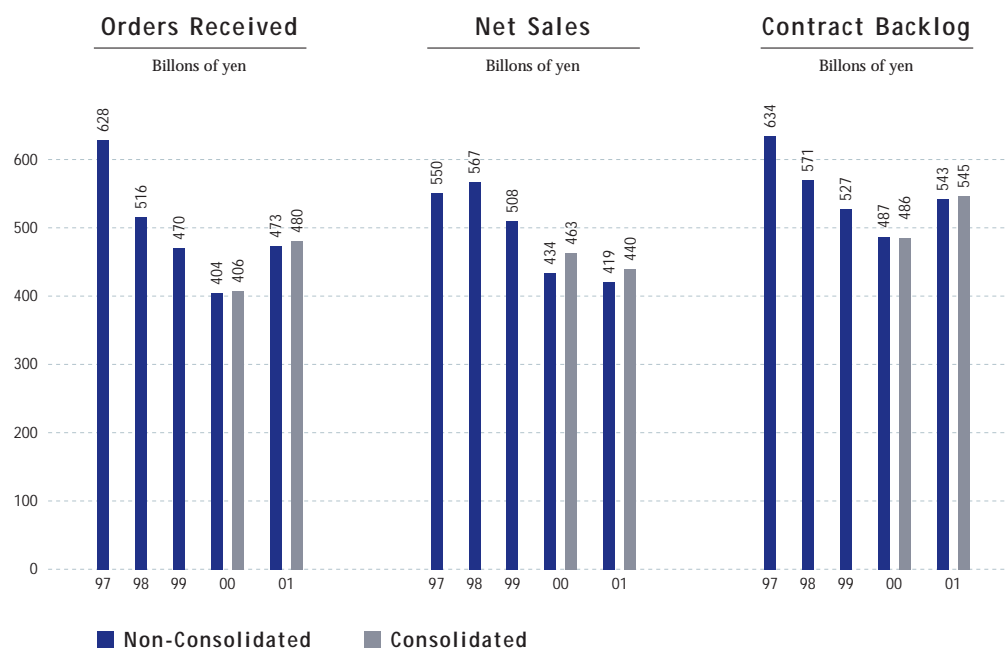
CONSOLIDATED FINANCIAL HIGHLIGHTS



Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Orders received	¥406,995	¥480,690	\$3,879,734
Net sales	436,952	440,141	3,552,389
Contract backlog	486,989	545,246	4,400,694
Total assets	510,665	497,114	4,012,220
Shareholders' equity	46,110	51,716	417,401
Ordinary income	8,824	10,494	84,697
Income (loss) before income taxes	(19,054)	9,436	76,158
Net income (Loss)	(13,395)	3,179	25,658
Cash dividend	904	1,807	14,584
Per share of common stock			
	Yen		U.S. dollars
Shareholders' equity	¥128	¥143	\$1.15
Net income (loss)	(37.06)	8.80	0.07
Cash dividends	2.50	5.00	0.04

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥123.90 per US\$1, prevailing on March 31, 2001.





The past century has been one of continuous and often tumultuous social and economic change the world over, and throughout its more than 100 years in operation, Penta-Ocean Construction Co., Ltd. has grown to become one of the world's leading comprehensive construction companies. During the past decade, while Japan has moved to rebuild its economy, we have worked to restructure our group organization in order to strengthen our financial base and sharpen our competitive edge. In the term under review, we bid successfully for very large-scale land reclamation work in Singapore, double rail tracking for the Suez Canal, and large-scale construction work on the Kansai and Chubu international airports. Fiscal 2000, the year ended March 31, 2001, marked Penta-Ocean's 51st term of operation.

Operating in a depressed business environment

During the term under review, the Japanese economy continued to stagnate as government sector attempts to spur growth and foster consumer confidence failed. Private sector schemes, however, proved more successful, with both capital investment and business income steadily increasing during the term. Consumers remained concerned about the employment situation, resulting in a continued stalemate in household spending.

In the Japanese construction market, there was a downturn in orders for public works projects, as government spending at the regional level remained cautious. Investment in housing declined, while private sector capital investment increased, primarily in the manufacturing industry. In this uncertain business environment, the construction market remained depressed. Throughout the Asian region, where Penta-Ocean is most active, business improved steadily over the previous term, as the level of public and private sector investment in construction in those countries continued to recovery at a rapid pace.

Mixed business results in FY2000

In this business environment, consolidated net sales amounted to ¥440,141 million (US\$3,552 million), a year-on-year decline of 5.1%. Consolidated ordinary income, on the other hand, increased 18.9% to ¥10,494 million (US\$84.6 million). Reversing a two-year downward trend, consolidated net income rebounded to ¥3,179 million (US\$25.6 million) in the term un-

der review. Group-wide efforts to increase efficiency and improve profitability in overseas construction projects over the past five years is credited with the gains made in fiscal 2000.

The civil and architectural business groups reported declines in sales for both their domestic and overseas business operations, for a collective total of ¥428,369 million (US\$3,457 million), a 2.0% decline from the previous term. Operating income for the groups also decreased, by 21.8% to ¥12,562 million (US\$101 million). The real estate development group reported a sharp slide in revenue of 65.8%, to ¥5,934 million (US\$47.8 million). Operating income for this group amounted to ¥864 million (US\$7.0 million), owing to ongoing efforts to increase sales of specially targeted properties.

Consolidated net profit amounted to ¥1,898 million (US\$15.3 million), despite the loss of ¥1,034 million (US\$8.3 million) sustained in the previous term. Penta-Ocean's remaining business groups contributed to a 15.8% increase in sales, collectively, to ¥14,914 million (US\$120 million). Operating losses of ¥535 million (US\$4.3 million) reported in the previous term were reduced substantially during the term under review, to ¥81 million (US\$0.6 million). These business groups contributed substantially to an overall improvement in Penta-Ocean's performance in fiscal 2000.

Orders received for civil and architectural construction projects from the domestic market declined, as the number of orders grew steadily overseas. During the term, orders for works

in Japan decreased by 5.3% year on year, to ¥334,564 million (US\$2,700 million), due primarily to a gradual reduction in the number of new public works projects. Overseas, Penta-Ocean received yet another order for a massive land reclamation project in Singapore, where it has been involved in this work since 1984. Owing to our successful bid for this project, we were able to report an 18.1% increase in new orders during the term, to ¥480,699 million (US\$3,879 million).

Plotting a new course in an uncertain operating environment

The chances for growth in the Japanese economy continue to be vague and unpredictable at this point in time, owing to fears of an economic slowdown in the U.S., and to a less than robust stock market activity in Japan. In this uncertain environment, consumer spending is also expected to remain stagnant for some time to come.

These conditions do not point to an improvement in business conditions in the domestic construction market in fiscal 2001, where a steady fall off in orders for public works projects is expected to continue. Government indicators also warn of a backward movement in capital investment and a further decline in housing starts. Despite concern over what effect a slowdown in the U.S. economy and volatile oil prices will have on Japanese economic growth, we expect a gradual improvement in our business performance in overseas markets, where demand for social infrastructure projects still remains high.

Developing innovative approaches to cope with adverse market conditions

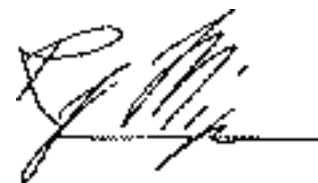
During the term under review, Penta-Ocean continued to implement a new and comprehensive management plan aimed at creating a more cohesive and powerful corporate group structure. The plan emphasizes a heightened awareness of customer needs, an improvement in efficiency at all levels of the organi-

zation, and a greater focus on developing the potential of each individual in the Penta-Ocean Group. It is also expected to bring Penta-Ocean and its group companies closer together and create a more resilient structure. Technological innovation and management prowess have long been trademarks of Penta-Ocean, however in order to meet the increasingly complex challenges of a new era in international business, we believe we must be prepared to confront successfully all possible future economic contingencies. In order to improve our chances for continued success in the increasingly severe operating environment confronting construction companies, we began to implement a three-year plan, the New Century Management Plan, during fiscal 2000. Under the plan, all business groups will work more closely together to improve operational efficiency group-wide, with the aim of maximizing our collective potential for growth and profitability for our shareholders.

Over the past three fiscal terms, the Company has continued to write off losses amounting to approximately ¥100 billion (US\$807 million) in order to meet the requirements of new accounting principles and retirement benefits accounting. This process has strengthened the Company and made it more competitive.

In closing, I would like to thank our shareholders for their continued support and understanding.

June 28, 2001



Rempei Mizuno
Chairman, President and Representative Director