Penta-Ocean Construction

Annual Report 2002

Year Ended March 31, 2002

Creating a Solid Corporate Structure for Sustainable Growth

Over the past 106 years, Penta-Ocean Construction Co., Ltd. has built some of the world's most famous structures and developed many of the industry's innovative construction machinery, methods and materials. The Company is a leading technology based, comprehensive construction company with a worldwide network of 28 subsidiaries and five affiliates. Today, the Penta-Ocean Group is involved in large-scale civil and architectural engineering projects in Japan and overseas, and is a leading developer of environment-related technology.

During the term, Penta-Ocean completed construction of the Ibigawa Bridge on the Meishin Highway No. 2, which is under construction concurrently with the Tomei Highway No. 2. (Mie Prefecture)

Front cover
The Niigata Port Tunnel spans the River Shinano at its mouth, where it flows into the Sea of Japan at Niigata Port. Penta-Ocean has been involved in the construction and installation of sunken caissons and the construction of a shaft that also acts as a ventilation tower (shown in the photograph.) The tunnel houses vehicle and pedestrian lanes and has been nicknamed the Port Corridor. The ventilating tower houses an observatory and is open to the public. (Niigata Prefecture)

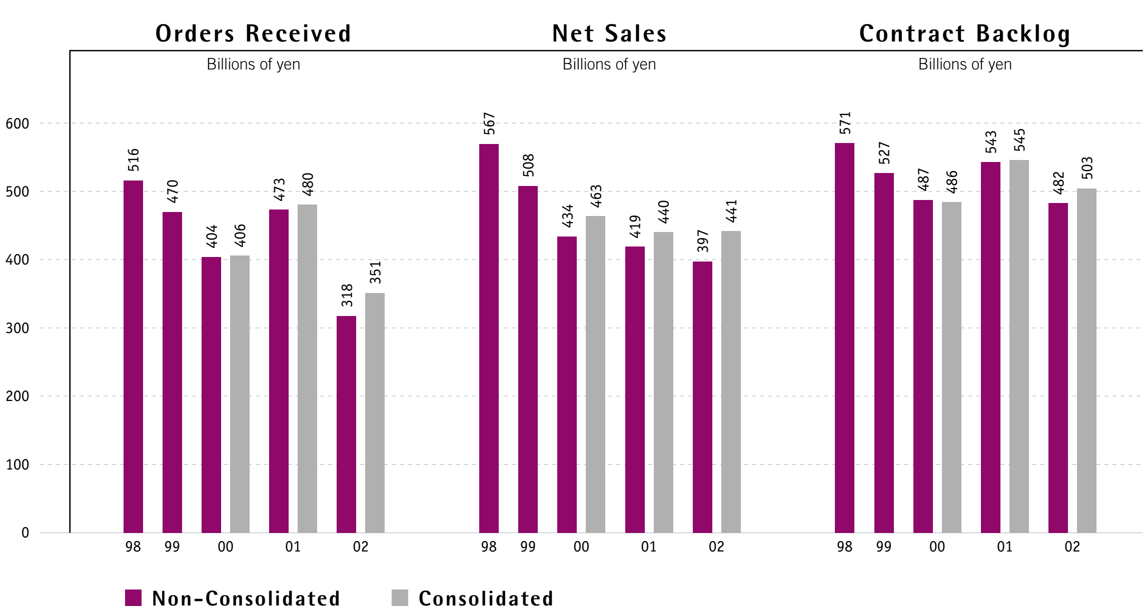
CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Orders received	¥480,699	**¥351,331**	**$2,636,630**
Net sales	440,141	**440,662**	**3,307,032**
Contract backlog	545,246	**502,980**	**3,774,709**
Total assets	497,114	**509,541**	**3,823,947**
Shareholders' equity	51,715	**51,685**	**387,880**
Ordinary income	10,494	**8,351**	**62,672**
Income before income taxes	9,436	**6,519**	**48,923**
Net income	3,179	**1,771**	**13,291**
Cash dividends	1,807	**904**	**6,784**
Per share of common stock	Yen		U.S. dollers
Shareholders' equity	¥143	**¥143**	**$1.07**
Net income	8.80	**4.90**	**0.04**
Cash dividends	5.00	**2.50**	**0.02**

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥133.25 per US$1, prevailing on March 31, 2002.



MESSAGE FROM THE MANAGEMENT

Fiscal 2001, the year ended March 31, 2002, marked Penta-Ocean's 52nd business term. During this period, the Japanese economy continued to stagnate, taking yet another downward turn as demand from IT-related businesses dropped off, owing to slowing economic growth worldwide.

In the Japanese construction market, the number of public works projects declined to the previous term's level, as a result of the government's restructuring policy and severe conditions in financial markets. Private sector capital investment also slowed, as companies tried to cope with falling sales and worsening employment conditions. Overseas, competition among Japanese, North American and European construction companies intensified. Competition in Southeast Asia, where Penta-Ocean is most active, was particularly challenging.

Against this backdrop, the Company and its consolidated subsidiaries were unable to secure as many international project orders as in the previous term, and total sales declined year-on-year. Operating income also declined, owing to a falloff in sales and smaller profit margins for domestic construction projects.

Business Results for Fiscal 2001

Consolidated orders received for construction business during the term under review amounted to ¥351,331 million (US$2,636 million), 26.9% below the previous year's level. Domestic civil engineering projects accounted for 13.6% of this decline and architectural projects for 18.0%. Overseas orders represented 69.8% of the total decline, reflecting a substantial decrease in large-scale landfill projects in Singapore, compared with the previous term.

While consolidated sales from the construction segment increased by 0.5% year-on-year to ¥430,473 million (US$3,230 million), sales from the real estate development segment declined, substantially, by 63.2% to ¥2,149 million (US$16 million). The decline was attributed mainly to stagnated real estate markets in Japan. Meanwhile, sales for other categories increased 23.8% over the previous term, to ¥18,459 million (US$138 million), owing to steady growth in shipbuilding orders and active sales and leasing of construction materials and equipment, in particular, Penta-Ocean's ocean vessel rental business. Therefore, total consolidated sales for the term under review amounted to ¥440,661 million (US$3,307 million), a slight increase of 0.1% over the previous term. In Japan, sales from civil engineering projects declined by 4.4% and architectural projects by 12.3%. However, overseas projects increased by 9.7%.

Sales totals for the construction segment were comprised of 47.4% for domestic civil engineering, 32.9% for domestic architectural and 19.7% for overseas projects. Japanese government and municipal projects accounted for 60.0% of the total, and private sector companies for 40.0%.

Projects Completed

Principal projects completed during the term included ground improvement work for the Airport Island Landfill project Phase II, from Kansai International Airport; revetment construction work, from Chubu International Airport; pretreating plant construction work for the Rokkasho Reprocessing Plant, the Japan Nuclear Fuel Processing Plant; the National Diet Library Kansai Building, construction work, from the Kinki Regional government; Keppel Harbor revetment piling work from Keppelland International, in Singapore; construction of an emergency ward for the Caritas Comprehensive Medical Centre, from the Hong Kong government, and other projects.

Rempei Mizuno

Hideaki Kato

Consolidated operating income for the term declined by 19.0% from the previous term's level, to ¥10,655 million (US$79 million), while income before income tax also decreased, by 30.9% to ¥6,519 million (US$48 million). Consolidated net income for the term under review fell 44.3%, to ¥1,771 million (US$13 million).

Notwithstanding the severe economic environment, Penta-Ocean continued to invest in its future in essential areas such as construction machinery, with capital investments totaling ¥2,800 million (US$21 million). During fiscal 2001, the Company acquired a golf business when it liquidated subsidiary Nagasaki Sogo Resort Co., Ltd., and this resulted in an increase in fixed assets of ¥9,800 million (US$73 million).

A dividend of ¥2.50 (US$0.187) per share, for a total of ¥903 million (US$6.7 million), was paid to shareholders at term-end. The pay out ratio was 58.0%.

Meeting New Challenges Successfully

Uncertainty surrounds the future for most Japanese. After a decade of economic recession and many failed attempts by the government to restructure itself and the economy, consumer confidence is at an all-time low. Private sector companies continue to rationalize their operations in order to further enhance their competitive edges, as they strive to expand their market shares and increase profitability. This trend is expected to continue unabated for the foreseeable future.

Construction companies face these same challenges, and as a leading international technology based, comprehensive construction company, Penta-Ocean will continue to respond decisively to the rapidly changing business environments in Japan and overseas. Backed by its extensive marine engineering expertise, the Company will focus on domestic coastal area renewal projects, and overseas, on improving profitability by augmenting its project selection prowess.

Penta-Ocean continues to make every effort to increase efficiency and improve profitability at all levels of its consolidated organization, and we believe these efforts will ultimately result in a return to sustainable profitability.

In these efforts, we ask our shareholders, customers and friends for their continued support and understanding.

June 27, 2002

Rempei Mizuno,
Chairman of the Board

Hideaki Kato,
President

Completing the New Management Plan

The business environment surrounding Japan's construction industry has continued to be extremely harsh for some time, and these adverse circumstances now require us to demand more of ourselves than ever before. Thanks to over two decades of consistently strong and decisive leadership by former president Rempei Mizuno, who retired that position during the term under review, we are now better equipped to meet these challenges than at any time in our history. Chairman Mizuno continues to represent the Company in an important capacity, working actively to develop new sales channels in Japan and overseas. As president, I plan to use my experience as senior managing director in charge of international trade to promote Penta-Ocean's interests in overseas markets, as well as at home.

A New Vision

In fiscal 2001, the Penta-Ocean Group formulated the New Century Management Plan, with an aim to integrating it fully, backed by the support of all employees. The key areas of the plan include (1) reinforcement of the Group's sales capabilities, (2) cost reduction, (3) nurturing subsidiary companies, (4) establishment of new construction businesses, (5) reinforcement of financial stability, and (6) strengthening the Company's fundamentals.

In implementing the plan, our focus has moved from one of increasing project scale and business size to micro-management and increased profitability. As part of this plan, we will concentrate our efforts on urban renewal projects, particularly in coastal areas, where future growth is anticipated. Penta-Ocean is also expanding its capabilities in environment-related areas and engineering technology, with an aim to capturing projects that required a high level of technological expertise in multiple disciplines. The Company is already a leading developer of construction-related technology, and backed by our formidable capabilities in this area, we expect to continue to lead the industry in the commercialization of advanced construction materials, machinery and methods.

Overseas, Penta-Ocean is concentrating its efforts on developing new markets for its construction and marine engineering expertise, participating in an increasing number of large-scale urban development projects encompassing buildings, transportation networks, marine construction projects and other important social infrastructure.

In order for the Company to prosper in the new century, we are going to have to maintain a primary focus on cost reduction and on profitability. As the scale and number of construction projects decrease, the total for potential sales also continues to decline. In this finite environment, it has become increasingly important that

Century

Hideaki Kato, *President*

Group operations reflect this trend in real terms. Cost reducing measures are expected to include office closings overseas and the integration of regional offices in Japan. Retirement incentives and pension reductions, expense accounts, and directors' fees are other areas where spending will be curtailed.

In June 2002, the Company introduced a scheme to make the board of directors' more effective and improve decision-making by reducing the number of directors. The scheme is expected to make the governing body more effective and decisive in dealing with all contingencies, increase transparency, and more clearly delineate the duties and responsibilities of each officer.

Fiscal 2002 promises to be a landmark year for the Penta-Ocean Group, as we focus our efforts on improving business management, strengthening our project executing skills, and helping our employees to be more effective, as all members of the Penta-Ocean Group work together to achieve our mutual goals.

IMPLEMENTING THE NEW CENTURY MANAGEMENT PLAN

- The first step is to maintain the Company's competitive edge by adopting a client-first approach and facilitating the steady commercialization of new construction-related technology.

- The second step is to reduce operating costs by cutting outsourcing expenses and eliminating unnecessary expenditures.

- The third step is to strengthen the capabilities of affiliated companies to maximize their contributions to the Group.

- The fourth step is to promote the development of our environment-related business and other new business areas, by expanding the activities of the Company's new IT Promotion Division, and the formation of the Institute of Environment.

- The fifth step is to strengthen the Group's financial base by paying down interest bearing debt and increasing internal reserves.

- The sixth step is to revitalize Penta-Ocean's corporate culture by focusing on employees and maximizing their individual potentials.
  Key to our goal is the establishment of more open communication internally and among Group companies and the removal of burearocratic within the Penta-Ocean organization. New information technology-based formats being employed by the Company are expected to play a major role in accomplishing these objectives.

Under the plan, all business groups will strive to respond decisively to rapidly changes client needs, and to achieve sustainable profitability.

Clear water and fervent green create an oasis of beauty and comfort at the Park Collina Kamiohka (Yokohama, Kanagawa Prefecture)

During the year under review, Japan's construction industry continued to stagnate owing to poor economic performance at home and the gradual slowdown in the global economy. The number and scale of construction projects also continued to decline, as a result of sweeping spending cuts on the part of the Japanese government. Private sector capital investment also waned, as companies worked to deal with lower profit margins and growing employment problems. At the same time, increasingly severe competition among Japanese, North American and European construction companies made for more challenging conditions overseas, and particularly in Southeast Asia, where Penta-Ocean is most active. Against this backdrop, the Group made strenuous efforts to enhance management capabilities and strengthen sales in order to maximize income potential.

Construction

Major accomplishments for the Group during fiscal 2001 included land reclamation work at two of Japan's leading international air transportation hubs, the Kansai and Chubu airports. At the Kansai International Airport, Penta-Ocean completed landfill and ground improvement work, making the construction of a second runway possible. The airport was completed in 1994 and already the volume of traffic has grown so rapidly as to require

Park Collina Kamiohka condominium, Kanagawa

Kansai International Airport reclamation work Phase II, Osaka

an expansion of its runway system. The Phase 2 project was considered to be more technologically challenging that the work completed in Phase 1, and Penta-Ocean is receiving praise for the marine engineering expertise that made this project a success.

At the Chubu International Airport, the Company was involved in revetment building work and completed the project ahead of schedule during the term under review. The project is expected to be completed in time for the greatly anticipated Aichi Exposition.

Other construction activity during the term included pre-treatment plant construction work at the Rokkasho Reprocessing Plant and the Japan Nuclear Fuel Processing Plant; work on the National Diet Library Kansai Building, commissioned by the Kinki Regional Department; and construction of the Park Collina Kamiohka condominium from Itochu Urban Development Co., Ltd. and four other companies.

The Park Collina Kamiohka project, located in southwestern Yokohama, encompassed two residential buildings housing 327 dwellings, vast park-like gardens and playgrounds, an expansive plaza and common building areas.

Caritas Medical Centre, Hong Kong

Overseas, the Group completed revetment-piling work at Keppel Harbor for Keppelland International of Singapore; and the construction of the Caritas Medical Centre, commissioned by the Hong Kong Government's Hospital Authority. The Caritas Medical Centre project involved the construction of a 14-storey medical and acute care wing. The project was completed without suspending services at the existing medical facility. Penta-Ocean has built many medical facilities in recent years and its reputation for excellence is well known in Hong Kong.

As a result of its strenuous efforts in this business area, Penta-Ocean recorded consolidated sales amounting to ¥430,473 million (US$3,230 million) for the term under review. This represented a slight increase of 0.5% over the previous term.

When reviewing the Group's performance based on non-consolidated data, sales for the term under review amounted to ¥394,230 million (US$2,958 million), a 4.8% drop from the previous term. Civil engineering accounted for ¥238,582 million (US$1,790 million), a 4.9% year-on-year decline. Sales from overseas markets amounted to ¥51,738 million (US$388 million), or 21.7% of civil engineering segment sales. This represented a 6.6% decrease from the previous term's level. The domestic market shared the remaining 78.3%, or ¥186,844 million (US$1,402 million), with sales to central and local governments occupying 85.8% of the total.

The Architectural segment accounted for ¥155,648 million (US$1,168 million), a 4.6% decrease from the previous year. Domestic sales occupied 83.3%, or ¥129,600 million (US$972 million) of the total, which represented a year-on-year decrease of 12.3%. The private sector accounted 77.3% of domestic sales. Overseas, sales represented 16.7%, or ¥26,047 million (US$195 million) of the total for a year-on-year increase of 67.9%.

In overseas markets, civil engineering and architectural business sales amounted to ¥77,785 million (US$583 million), a year-on-year increase of 9.6%.

Consolidated orders received in the construction segment amounted to ¥351,331 million (US$2,636 million), a 26.9% decrease from the previous term. This decline represented a 69.8% decline in the volume of orders for large-scale landfill projects in Singapore from the previous term.

Principal orders received during fiscal 2001 in Japan included landfill work for the Airport Island Landfill project Phase II, from Kansai International Airport; the Tomei Highway No. 2, Shimizu Tunnel No. 1, from the Japan Highway Public Corporation; the Meiko Railway Plant construction project, from Nagoya's Transportation Department; and the Moriyoshiyama Dam construction project, from the Tohoku Regional Bureau. Overseas, new orders included the Constantza South Port improvement project from the Romanian Government and the Toa Payoh Redevelopment Contract 30, from the Singapore Housing & Development Board.

Penta-Ocean received an order for landfill work in the Phase II project at Kansai International Airport. This followed the successful completion of Phase I work in 1994. The Company is also involved in the construction of the Fujieda Tunnel No. 1 on the Tomei No. 2 Highway, and received an order for work on the Shimizu Tunnel No. 1.

Shimoda Tunnel of Tokai-Hokuriku Expressway, Gifu

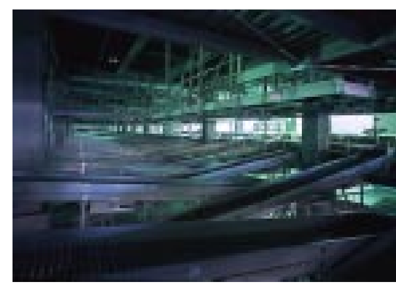
Nukui Dam, Hiroshima

In November 2001, the Company received an order for improvement work on the Constanza South Port from Romanian Government, N.C Maritime Ports Administration Constantza SA, for the South Container Terminal Project, Port of Constantza. This is the largest port in that country and is expected to become a major trading port on the Black Sea by increasing capacity at its container terminals.

Successful bidding for orders in eastern Europe landed Penta-Ocean projects in Poland, and dredging work in the Port of Bourgas Expansion Project Contract Package No.1: Civil and Dredging Works, from the Ministry of Transport and Communications of the Government of the Republic of Bulgaria, Port of Bourgas PLC. These projects are expected to increase the Company's presence in eastern Europe.

Penta-Ocean received an order for the Building Works at Toa Payoh Redevelopment Contract 30 from Singapore's Housing & Development Board, for the construction of four, 40-storey residential buildings, the first in that country, together with a 5-storey parking building. The Company's Automated Building Construction System will be utilized to complete one of the four buildings. The highly automated system is expected to

Fukuyama Transporting Distribution Center, Chiba



improve safety and cut labor costs, by incorporating precast segments to construct more than 80% of the building.

Principal projects now under way and nearing completion include the Esplanade-Theatres on the Bay and the Jurong Island landfill projects in Singapore, the construction of the Tsuen Wan Station and a tunnel project for the Kowloon-Canton Railway Corporation in Hong Kong, as well as the construction of ESTATERRA Shonandai in Fujisawa, the Group's first high-rise RC-constructed building and Urban View Grand Tower in Hiroshima, western Japan's tallest high-rise building.

Contract backlog for the domestic market amounted to ¥295,916 million (US$2,220 million) and ¥185,549 million (US$1,392 million) for the overseas market, resulting in a total of ¥481,466 (US$3,613 million).

During fiscal 2001, the Japanese economy remained stagnant and the business environment surrounding the Group remained as severe as in the previous term. In these circumstances, domestic consolidated sales amounted to ¥362,698 million (US$2,721 million), a year-on-year decrease of 1.7%. For the Company's Southeast Asia operations, consolidated sales increased by 7.7% over the previous year's level to ¥69,230 million (US$519 million). This increase was attributable to sales connected with large-scale landfill work in Singapore and construction projects in Hong Kong. Project completions in Egypt and Bulgaria resulted in a substantial increase in consolidated sales of 25.8%, to ¥8,731 million (US$65.5 million).

New Business Expansion

New business divisions, including the Environmental Division, the Project Renewal Division, and the Engineering Division, were established in FY 2000. The activities of this group have expanded to include a wind power plant project in Yasugi, Shimane Prefecture, and waste treatment and other environment-related projects in Japan.

In the term under review, this group won orders for waste incineration plant-dismantling projects from the Hiroshima and Toyama Prefectural governments. These projects are carried out to eliminate dioxin, heavy metals, and other hazardous substances remaining in ash and wall scaling prior to dismantling of the facilities. Top priority is given to safety during the dismantling process and Penta-Ocean's experience in this work is expected to improve its chances to receive new orders for similar projects.

Naoetsu Pier, Niigata

The Company is also involved in construction sludge recycling projects. Ten million tons of construction sludge is produced every year, however only about 14% is recycled. The recycling ratio is smaller than for other construction waste materials, and most solid waste is used for landfill.

Since the number and capacity of such sites are limited, demand for the recycling of construction sludge has continued to increase. Although conventional recycling methods exhibited poor handling capabilities, Penta-Ocean's system improves construction sludge with high water content without dehydration and drying, and the improved handling facilitates easier recycling. The Company also continues to find ways to further reduce treatment costs.

As more and more focus is placed on environmental conservation, soil contamination has become an increasingly important issue. Penta-Ocean has long been engaged in the treatment of contaminated soil, and this business group works closely with the Company's in-house Institute of Environment to develop methods for removing waste materials from the soil, and for decomposing contaminants directly in soil. Both methods are proving very successful and sales performance for this group continued to improve during the term under review.

Real Estate Development and Others Businesses

The Development segment suffered from the negative influences of stagnating real estate prices in Japan and this resulted in a 59.9% decrease in sales for the term to ¥2,382 million (US$17.8 million). Although operating income was secured in the previous term, thanks to profitable transactions, an operating loss of ¥237 million (US$1.7 million) was recorded for the term under review.

Other activities included shipbuilding work, sales and leasing of construction materials and equipment, and rent of ocean vessels, and consolidated sales in this area amounted to ¥18,459 million (US$138.5 million). This represented a 23.8% increase over the previous term's level. Operating losses amounted to ¥112 million (US$0.8 million), decreasing by 38.2% from the previous term.

ESTATERRA Shonandai, Kanagawa

Penta-Ocean is well known for its research and development capabilities, and adding to its many accomplishments in the construction field, has successfully developed plant-dismantling technology at its state-of-the-art R&D facility in Nasu.

Environmental Report 2002

R&D Results and Environmental Report

Although the business environment surrounding the construction industry has remained severe in recent years, Penta-Ocean has continued to focus on the development of advanced construction methods, materials and technologies aimed at preserving the natural environment and the earth's dwindling natural resources. It has drawn on the expertise and experience of each of the Group's business divisions to achieve a remarkable level of success in this area.

Throughout the term under review, the Group engaged in the development of environmentally friendly technologies and innovative recycling formats. R&D expenses for the term amounted to ¥2,149 million (US$16.1 million). Penta-Ocean filed 98 patents in fiscal 2001, bringing the total number of patents held by the Company to 366 and utility models 45.

Principal R&D results in the consolidated fiscal year included several environment-related successes, including a process for rendering dioxins harmless, expanding applications of construction sludge-recycling technologies, and making dismantling technologies for waste incineration facilities safer.

Throughout its R&D activities, the Group has made environmental concerns a top priority, and by 2000, its Research Institute and nine branches in Japan had received ISO 14001 certification, in recognition of its state-of-the-art environmental management systems.

In the past, Penta-Ocean has prepared an annual environment report based on accumulated data on recycling sites and construction by-products. In the term under review, the Company published a report entitled Report on Environmental Conservation.

Consolidated Summary

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

Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2000	2001	**2002**	**2002**
Orders received	¥406,995	¥480,699	**¥351,331**	**$2,636,630**
Construction	406,995	480,699	**351,331**	**2,636,630**
Real estate development	—	—	**—**	**—**
Other	—	—	**—**	**—**
Net sales	463,952	440,141	**440,662**	**3,307,032**
Construction	436,910	428,367	**430,474**	**3,230,574**
Real estate development	17,283	5,844	**2,149**	**16,128**
Other	9,759	5,930	**8,039**	**60,330**
Contract backlog	486,989	545,246	**502,980**	**3,774,709**
Construction	486,989	545,246	**502,980**	**3,774,709**
Real estate development	—	—	**—**	**—**
Other	—	—	**—**	**—**
Total assets	510,665	497,114	**509,541**	**3,823,947**
Shareholders' equity	46,110	51,715	**51,685**	**387,880**
Ordinary income	8,824	10,494	**8,351**	**62,672**
Income before income taxes	(19,054)	9,436	**6,519**	**48,923**
Net income	(13,395)	3,179	**1,771**	**13,291**
Cash dividends	904	1,807	**904**	**6,784**
Per share of common stock:	Yen			U.S. dollers
Shareholders' equity	¥128	¥143	**¥143**	**$1.07**
Net income	(37.06)	8.80	**4.90**	**0.04**
Cash dividends	2.50	5.00	**2.50**	**0.02**
Number of employees	4,176	4,114	**4,549**	

Note: The amounts of orders received and contract backlog related to real estate development and other business is not stated on the above summary, because those amounts were small and did not have a material effect to respective total amounts.
US$1=¥133.25 as at March 31, 2002

FINANCIAL REVIEW

Business Performance

In the domestic construction market, which is the principal area of business for Penta-Ocean's subsidiaries and affiliates, the number and scale of construction works declined to a level lower than in the previous term. This was due in part to a reduction in the number of public works projects resulting from government sector restructuring and stringent financial cutting. A falloff in private sector capital investment resulting from economic stagnation and the further deterioration in consumer confidence was also to blame. Overseas, increasingly severe competition among Japanese, North American and Southeast Asian construction companies exacerbated the already difficult operating environment.

In this environment, consolidated net sales increased only slightly, by 0.1% over the previous term, to ¥440,662 million (US$3,307.0 million). Consolidated operating income decreased by 19.0% to ¥10,655 million (US$80.0 million), while consolidated income before income tax dropped 30.9% year-on-year, to ¥6,519 million (US$48.9 million). Consolidated net income also declined, by 44.3% to ¥1,771 million (US$13.3 million).

Segment Information

By category, consolidated sales for construction amounted to ¥430,475 million (US$3,230.6 million), an increase of 0.5% from the previous term's level. However operating income for this category declined by 12.8% year-on-year to ¥10,954 million (US$82.2 million).

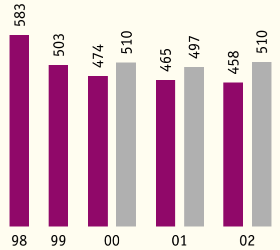
In the real estate development category, consolidated sales were down by 59.8%, or ¥2,383 million (US$17.9 million), owing to the protracted domestic real estate market. Operating losses amounted to ¥237 million (US$1.8 million). Sales totals were less than half those in the previous term, and therefore it was not possible to obtain the level of operating income achieved in the previous term.

Consolidated sales in the other business category increased 23.8% over the previous term's level to ¥18,459 million (US$138.5 million), owing to favorable business results in shipbuilding, sales and leasing of construction materials and equipment, and rentals of ocean vessels. However, that amount fell short of what was needed to record a profit, and operating losses amounted to ¥113 million (US$0.8 million).

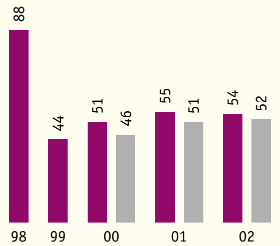
When examining the Company's business performance by region, the Japanese economy remained sluggish throughout the whole term under review and public works, private capital investment, and housing investment slowed to a level lower than that in the previous term. This was due mainly to a rapid decline in corporate business results and concurrent deceleration of the global economy.

The business environment surrounding the Company's main business category remained severe throughout fiscal 2001. In these circumstances, domestic consolidated sales declined by 1.7% to ¥362,699 million (US$2,721.9 million). However, this amount occupied 82.3% of total sales. Operating income decreased by 22.0% to ¥9,217 million (US$69.2

Total Assets
Billions of yen



Shareholders' Equity
Billions of yen



Net Income (Loss)
Billions of yen

million).

Overseas revenues from large-scale reclamation projects in Singapore and construction work in Hong Kong amounted to ¥69,231 million (US$519.6 million). This represented a year-on-year increase of 7.7%. Overseas operating income amounted to ¥326 million (US$2.4 million), a 73.1% drop from the previous term. Sales from Southeast Asia accounted for 15.7% of total sales.

Consolidated sales from other areas amounted to ¥8,732 million (US$65.5 million), increasing 25.8% over the previous year, thanks to an increase in completed works in Egypt, Bulgaria, and other countries. Operating income rose eightfold to ¥1,112 million (US$8.3 million), compared with the previous term.

Orders Received and Contract Backlog

The total number of new construction orders during the term amounted to ¥351,331 million (US$2,636.6 million), a decrease of 26.9% from the previous term. The shortfall resulted from a sharp decline in new public works projects in Japan. A carryover to the current fiscal term amounting to ¥502,980 million (US$3,774.7 million) for construction projects.

Cash Flow

In cash flow generated by sales activities, net profit before tax and other adjustments amounted to ¥6,519 million (US$48.9 million). This represented a year-on-year decrease of ¥2,917 million (US$21.8 million). This 32.8%, or ¥12,230 million (US$91.7 million) decline was the result of a decrease in purchase liabilities, and excess income amounted to ¥25,110 million (US$188.4 million).

Cash from investment activities increased by ¥1,816 million (US$13.6 million), or 104.2% year-on-year, thanks to increased income from a growing number of consolidated subsidiaries, although expenditures were allocated for securities purchases and for lending activities. These figures represent an increase of ¥3,561 million (US$26.7 million) over the previous term's results.

Cash from financial activities decreased by ¥9,429 million (US$70.7 million) from the previous term's level, to an excess expenditure of ¥31,017 million (US$232.8 million). This was due mainly to the deferment of long-term debts, as was the case with the previous term.

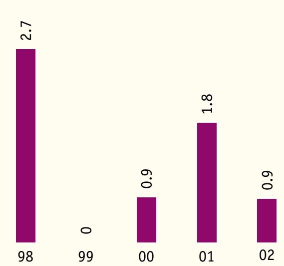
As a result, the amount of cash and cash equivalents reported by the Company at the end of the term deceased by 4.2%, or ¥2,256 million (US$16.9 million), to ¥51,376 million (US$385.6 million).

Dividends

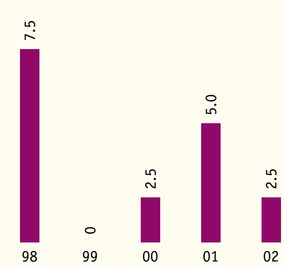
It is the Company's basic policy to pay dividends to its shareholders in a consistent manner, while at the same time endeavoring to accumulate internal reserves in order to maintain a strong financial base. Net profit was substantially reduced during the term under review, However, in keeping with its dividend policy, Penta-Ocean paid a dividend of ¥2.50 (US$0.187) per share, or a total of ¥903 million (US$6.7 million) to its shareholders at term-end. The pay out ratio was 58.0%.

Net Income (Loss) per Share
Yen

Cash Dividends
Billions of yen



Cash Dividends per Share
Yen



Non-Consolidated Consolidated

Consolidated Balance Sheets

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

March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
ASSETS	2001	**2002**	**2002**
Current assets:			
Cash and time deposits (Note 5)	¥ 54,499	**¥ 52,423**	**$ 393,418**
Securities (Notes 3(4), 4 and 5)	72	**177**	**1,328**
Trade receivables:			
Note	24,668	**14,455**	**108,480**
Account	150,163	**158,733**	**1,191,242**
Inventories: (Note 3(7))			
Cost of uncompleted contracts	45,832	**63,172**	**474,086**
Real estate for trade and real estate in progress	53,255	**53,828**	**403,963**
Other inventories	1,994	**2,351**	**17,644**
Deferred tax assets (Note 15)	10,231	**8,966**	**67,287**
Other current assets	7,359	**4,423**	**33,194**
Allowance for doubtful receivables (Note 3(6))	(1,236)	**(1,585)**	**(11,895)**
Total current assets	346,837	**356,943**	**2,678,747**
Investments and non-current assets:			
Investment in securities (Notes 3(4), 4 and 5)	23,249	**23,612**	**177,201**
Long-term loans and receivables	2,115	**4,236**	**31,790**
Sundry investments	25,890	**22,451**	**168,488**
Deferred tax assets (Note 15)	8,925	**10,496**	**78,769**
Allowance for doubtful receivables (Note 3(6))	(13,689)	**(12,203)**	**(91,580)**
Total investments and non-current assets	46,490	**48,592**	**364,668**
Property, plant and equipment: (Note 3(8))			
Land (Note 5)	51,688	**51,309**	**385,058**
Buildings and structures (Note 5)	41,346	**39,885**	**299,325**
Machinery, equipment and vehicles	19,164	**22,752**	**170,747**
Dredgers and vessels	42,592	**52,387**	**393,148**
Construction in progress	1,175	**652**	**4,893**
Other property, plant and equipment	3,790	**3,740**	**28,067**
Total property, plant and equipment	159,755	**170,725**	**1,281,238**
Less accumulated depreciation	(57,031)	**(67,490)**	**(506,491)**
Property, plant and equipment — net	102,724	**103,235**	**774,747**
Other assets:			
Consolidation adjustments	144	**—**	**—**
Other (Note 3(9))	919	**771**	**5,785**
Total other assets	1,063	**771**	**5,785**
Total assets	¥497,114	**¥509,541**	**$3,823,947**

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2002	Thousands of U.S. dollars 2002
Current liabilities:			
Bank loans (Note 6)	¥102,815	**¥ 81,459**	**$ 611,325**
Commercial paper	3,000	**—**	**—**
Current portion of long-term debt (Note 6)	22,048	**20,437**	**153,373**
Trade payables:			
Note	58,108	**62,816**	**471,415**
Account	91,754	**98,530**	**739,437**
Advance on contracts in progress	46,695	**57,566**	**432,015**
Deposit received	14,353	**16,478**	**123,662**
Accrued taxes on income	521	**1,192**	**8,946**
Accrued expenses	3,058	**3,273**	**24,563**
Other current liabilities	3,961	**6,553**	**49,178**
Total current liabilities	346,313	**348,304**	**2,613,914**
Long-term liabilities:			
Long-term debt (Note 6)	80,692	**86,596**	**649,876**
Reserve for retirement benefits (Notes 3(11) and 19)	8,030	**9,622**	**72,210**
Reserve for directors' and statutory auditors' retirement (Note 3(12))	1,231	**1,422**	**10,672**
Deferred tax liabilities for land revaluation (Note 17(2))	3,418	**4,074**	**30,574**
Consolidation adjustments	—	**1,838**	**13,794**
Other long-term liabilities	5,715	**6,000**	**45,027**
Total long-term liabilities	99,086	**109,552**	**822,153**
Shareholders' equity:			
Common stock	33,971	**33,971**	**254,942**
Common stock			
Authorized — 599,135,000 shares			
Issued — 361,407,443 shares at March 31, 2002 and 2001			
Additional paid-in capital (Note 17(1))	10,635	**10,635**	**79,812**
Land revaluation excess (Note 17(2))	4,711	**5,614**	**42,131**
Retained earnings (Note 2(5))	317	**251**	**1,884**
Valuation difference of other securities (Note 17(3))	1,766	**859**	**6,447**
Cumulative foreign currency translation adjustments (Note 3(2))	315	**356**	**2,672**
Less: Tresury shares	(0)	**(1)**	**(8)**
Total shareholders' equity	51,715	**51,685**	**387,880**
Total liabilities and shareholders' equity	¥497,114	**¥509,541**	**$3,823,947**

Commitments and contingent liabilities (Note 14)

Consolidated Statements of Income, and Retained Earnings or Deficit

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

For the years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Construction business:			
Net sales	¥428,367	**¥430,474**	**$3,230,574**
Cost of sales	383,471	**385,840**	**2,895,610**
	44,896	**44,634**	**334,964**
Real estate and other:			
Net sales	11,774	**10,188**	**76,458**
Cost of sales	10,090	**9,655**	**72,458**
	1,684	**533**	**4,000**
Total net sales	440,141	**440,662**	**3,307,032**
Total cost of sales	393,561	**395,495**	**2,968,068**
Total gross profit	46,580	**45,167**	**338,964**
Selling, general and administrative expenses	33,418	**34,512**	**259,002**
Operating income	13,162	**10,655**	**79,962**
Other income:			
Interest and dividends	856	**514**	**3,857**
Other (Note 7)	1,042	**1,156**	**8,676**
	1,898	**1,670**	**12,533**
Other expenses:			
Interest	4,001	**3,529**	**26,484**
Other (Note 8)	565	**445**	**3,339**
	4,566	**3,974**	**29,823**
Ordinary income	10,494	**8,351**	**62,672**
Extraordinary gain (Note 9)	17,321	**1,882**	**14,124**
Extraordinary loss (Note 10)	18,379	**3,714**	**27,873**
Income before income taxes	9,436	**6,519**	**48,923**
Income taxes: (Notes 3(16) and 15)			
Current	872	**1,748**	**13,118**
Tax effect adjustment	5,385	**3,000**	**22,514**
Net income	3,179	**1,771**	**13,291**

Income per share of common stock (Note 3(13))	Yen		U.S. dollars
Primary	¥8.80	**¥4.90**	**$0.04**
Assuming full dilution	—	**—**	**—**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

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

Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Common stock:			
Balance at the beginning of the period	¥33,971	**¥33,971**	**$254,942**
Balance at the end of the period	33,971	**33,971**	**254,942**
Additional paid-in capital: (Note 17(1))			
Balance at the beginning of the period	10,635	**10,635**	**79,812**
Balance at the end of the period	10,635	**10,635**	**79,812**
Land revaluation excess: (Note 17(2))			
Balance at the beginning of the period	4,628	**4,711**	**35,355**
Transferred to retained earnings	83	**903**	**6,776**
Balance at the end of the period	4,711	**5,614**	**42,131**
Retained earnings (deficit): (Note 2(5))			
Balance at the beginning of the period	(3,124)	**317**	**2,379**
Increase in retained earnings resulting from change in scope of consolidation	—	**873**	**6,552**
Decrease in deficit resulting from change in scope of consolidation	1,249	**—**	**—**
Cash dividends	(904)	**(1,807)**	**(13,561)**
Transferred from land revaluation excess	(83)	**(903)**	**(6,777)**
Net income	3,179	**1,771**	**13,291**
Balance at the end of the period	317	**251**	**1,884**
Valuation difference of other securities (Note 17(3))	1,766	**859**	**6,447**
Cumulative foreign currency translation adjustments (Note 3(2))	¥ 315	**¥ 356**	**$ 2,672**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

For the years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Cash flows from operating activities:			
Income before income taxes	¥ 9,436	**¥ 6,519**	**$ 48,923**
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,947	**6,539**	**49,073**
Amortization of consolidation adjustments	48	**(435)**	**(3,265)**
Increase (decrease) in allowance for doubtful receivables	1,819	**(1,626)**	**(12,203)**
Increase (decrease) in reserve for retirement benefits	2,218	**1,481**	**11,114**
Increase (decrease) in reserve for directors' and statutory auditors' retirement	(2)	**81**	**608**
Interest and dividends received	(856)	**(514)**	**(3,857)**
Interest paid	4,495	**4,053**	**30,417**
Foreign exchange loss (gain)	318	**(141)**	**(1,058)**
Equity loss of affiliates	330	**167**	**1,253**
Loss (gain) on sales and disposals of property, plant and equipment	(409)	**905**	**6,792**
Loss (gain) on sales of investment in securities	(3,441)	**3**	**23**
Loss on valuation of securities and investment in securities	1,863	**849**	**6,371**
Gain on establishment of trusts of financial assets to cover retirement benefit obligations	(8,069)	**—**	**—**
Costs for establishment of trusts of financial assets to cover retirement benefit obligations	14,845	**—**	**—**
Gain on redemption of long-term debt	(4,130)	**—**	**—**
Change in assets and liabilities:			
Decrease in trade receivables	3,769	**17,467**	**131,084**
(Increase) decrease in cost of uncompleted contracts	14,711	**(2,232)**	**(16,750)**
(Increase) decrease in real estate for trade and real estate in progress and other inventories	2,538	**(599)**	**(4,495)**
Increase (decrease) in trade payables	6,137	**(9,871)**	**(74,079)**
Increase (decrease) in advance on contracts in progress	(2,105)	**(1,757)**	**(13,186)**
Increase (decrease) in accrued expenses	(930)	**(178)**	**(1,336)**
Other — net	(5,410)	**9,344**	**70,124**
Sub total	42,122	**30,055**	**225,553**
Interest and dividends received	777	**504**	**3,782**
Interest paid	(4,680)	**(3,903)**	**(29,291)**
Income taxes paid	(879)	**(1,546)**	**(11,601)**
Net cash provided by (used in) operating activities	37,340	**25,110**	**188,443**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Cash flows from investing activities:			
Purchases of securities	¥ (15)	**¥ (17)**	**$ (128)**
Proceeds from sales of securities	125	**90**	**675**
Purchases of investment in securities	(1,357)	**(2,748)**	**(20,623)**
Proceeds from sales of investment in securities	6,473	**39**	**293**
Purchases of property, plant and equipment	(5,160)	**(3,771)**	**(28,300)**
Proceeds from sales of property, plant and equipment	2,203	**3,223**	**24,188**
Disbursements for loans receivable	(2,534)	**(2,563)**	**(19,235)**
Collection of loans receivable	1,488	**102**	**765**
Acquisition of new cosolidated subsidiaries, net of cash and cash equivalents acquired	3	**9,239**	**69,336**
Other — net	518	**(33)**	**(247)**
Net cash provided by (used in) investing activities	1,744	**3,561**	**26,724**
Cash flows from financing activities:			
Net decrease in short-term bank loans	(29,043)	**(25,106)**	**(188,413)**
Net decrease in commercial paper	—	**(3,000)**	**(22,514)**
Borrowings	44,464	**21,838**	**163,887**
Reimbursement of long-term debt	(36,103)	**(22,960)**	**(172,308)**
Cash dividends paid	(905)	**(1,788)**	**(13,418)**
Other — net	(0)	**(1)**	**(7)**
Net cash provided by (used in) financing activities	(21,587)	**(31,017)**	**(232,773)**
Difference resulting from conversion of foreign cash and cash equivalents to yen	264	**253**	**1,899**
Net increase (decrease) in cash and cash equivalents	17,761	**(2,093)**	**(15,707)**
Cash and cash equivalents at the beginning of the period	35,871	**53,632**	**402,492**
Decrease in cash and cash equivalents resulting from change in scope of consolidation	—	**(163)**	**(1,224)**
Cash and cash equivalents at the end of the period	¥53,632	**¥51,376**	**$385,561**
(Note) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥54,499	**¥52,423**	**$393,418**
Less-Time deposits which can be drawn over three months	(867)	**(1,047)**	**(7,857)**
Cash and cash equivalents	¥53,632	**¥51,376**	**$385,561**

Notes to Consolidated Financial Statements

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

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan and regulations under the Securities and Exchange Law in Japan, which may differ in some material respects from the accounting principles and practices generally accepted in the countries and jurisdictions other than Japan and the notes to them include information which is not required under the accounting principles and practices generally accepted in Japan, but is presented herein as additional information and certain items presented therein have been reclassified and adjusted for readers outside Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥133.25, the exchange rate prevailing on March 31,2002. This is solely for the convenience of 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.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has twenty-eight wholly owned subsidiaries and five affiliated companies at March 31,2002.

The Company consolidated all subsidiaries and applied the equity method to all affiliated companies.

(2) Consolidation date

The balance sheet date of overseas subsidiaries other than the Company, domestic subsidiaries and seven overseas subsidiaries including Penta-Ocean Dredging Panama whose balance sheet date is March 31, is December 31.

The Company compiled the consolidated financial statements using the financial statements of December 31 and March 31. As a result, adjustments were made to conform any material difference incurring between the balance sheet date and the consolidation date.

(3) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of subsidiaries are recorded at fair value. The difference between fair value and book value is allocated to shareholders' equity and minority interest in proportion to their respective shareholdings.

(4) Consolidation adjustments

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

(5) Appropriation of retained earnings or deficit

Appropriation of retained earnings or deficit approved at the shareholders' meeting held during the current fiscal year, is reflected in the consolidated financial statements.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign money are converted into yen at the exchange rate prevailing on the balance sheet date. Non monetary items denominated in foreign currencies are converted into yen at the historical rate. Held-to-maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the balance sheet date, securities for purpose of sales and investment securities other than the above are converted from the fair value based on foreign currencies at the exchange rate prevailing on the balance sheet date into yen and those in subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition of the Company.

Also, securities denominated in foreign currencies are translated from the fair value or the actual value estimated in foreign currencies at the exchange rate prevailing on the balance sheet date, and those are written down, when declined remarkably. The evaluation of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated from the fair value or the actual value estimated in foreign currencies at the exchange rate prevailing on the balance sheet date excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of foreign currency of overseas subsidiaries

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the balance sheet date except for the components of shareholder' equity which are translated at the exchange rate prevailing at the time of acquisition by the Company and at the historical rate thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as cumulative foreign currency translation adjustments in shareholders' equity.

(3) Recognition of contract revenue

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

(4) Securities

Held-to-maturity bonds are determined by the amortized cost method.

Discounts and premiums are amortized by the straight-line method.

Other securities with fair value are stated at fair value based on the market price at the closing date. Valuation differences are included in Shareholders' equity as valuation difference of other securities, and sales costs are determined by the moving average method.

Other securities with no fair value are stated at moving average cost.

(5) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(6) Allowance for doubtful receivables

Allowance for doubtful receivables is based on the amounts calculated by an estimated uncollectible rate considering the ratio of past actual bad debt losses to general credits, and on the estimated amounts in consideration of the possibility of collection to specific credits of apprehension credits of bad debt, etc.

(7) Inventories

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

(8) Property, plant and equipment

Property, plant and equipment of the Company and domestic subsidiaries are stated at cost and depreciation is calculated using the declining balance method, except for buildings (other than equipment fixed inside buildings) acquired on or after April 1, 1998, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

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

(9) Research and development costs, and computer software

Research and development costs are charged to expense as incurred.

Computer software purchased for internal use is amortized assuming no scrap value by the straight-line method over five years based on the estimated useful life of internal use.

(10) Accounting for finance lease

Finance lease transactions other than those which are deemed to transfer the ownership of the assets to the lessees, are accounted for as operating leases.

(11) Reserve for retirement benefits

The Company has established the Employees' Welfare Pension System, Tax-qualified Pension System and a lump-sum severance indemnity plan as defined retirement benefit plans. Financial trust have been established to cover retirement benefit obligations. In response to necessity, the Company will pay a special supplementary retirement benefit to retirees.

The lump-sum severance indemnity plan and the Employees' Welfare Pension System were established by the Company and nine domestic subsidiaries, respectively, only the Company has adopted a tax-qualified pension plan.

Overseas subsidiaries do not have retirement benefit systems.

Reserve for retirement benefits is provided for at the necessary amounts on accrual basis based on the estimated amounts of liabilities for retirement benefits and pension fund assets at the end of the current fiscal year.

Effects of the amendments on the application of the new accounting standards for retirement benefits are equally amortized over fifteen years.

Prior service liabilities are recognized as an expense when incurred.

Actuarial gains or losses are equally amortized under the straight-line method over ten years based on the average remaining employees' service years, and its amortization is to be started from the next year.

(12) Reserve for directors' and statutory auditors' retirement

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

(13) Net income per share

Primary net income per share is calculated by the weighted average number of outstanding common stocks excluding treasury stocks during the period.

Information assuming full dilution is not presented because convertible bonds and bonds with detachable warrants were not issued as of the end of March 31, 2002.

(14) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows, consist of cash, time deposits which can be drawn out freely and easily converted into money and short-term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.

(15) Hedge accounting

1) Derivative transactions are accounted for using deferral hedge accounting.

2) Hedge instruments and hedge items
Hedge instruments are interest rate swap agreements and forward exchange contracts.

Hedge items are bank loans and receivables and payables denominated in foreign currencies.

3) The Company enters into interest rate swap agreements and forward exchange contracts to hedge risk from fluctuations in interest rate and forward exchange rates, respectively.

4) Evaluation of the effectiveness of hedge accounting
Control procedures for hedge transactions are executed according to the Company' Bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluate the effectiveness of hedging.

(16) Income taxes

The Company and consolidated domestic subsidiaries declare corporation and other taxes on the basis of 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 (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 9.6 percent on taxable income after certain adjustments, and (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax. When paid, enterprise tax is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income tax paid to foreign tax offices by the Company directly or indirectly, is approved subject to certain limitations in accordance with Japanese tax regulations.

4. Securities

The composition of securities as of March 31,2001 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Securities due within one year:			
Held-to-maturity bonds	¥ 65	**¥ 171**	**$ 1,283**
Investment trust bills	7	**6**	**45**
Total	¥ 72	**¥ 177**	**$ 1,328**
Investment in securities:			
Held-to-maturity bonds	¥ 537	**¥ 453**	**$ 3,400**
Investment trust bills	132	**318**	**2,386**
Stocks	19,977	**18,734**	**140,593**
Others	2,603	**4,107**	**30,822**
Total	¥23,249	**¥23,612**	**$177,201**

5. Pledged assets

(1) The following assets are pledged against fulfillment of construction contracts at March 31, 2001 and 2002.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Special deposits	¥ —	**¥ 150**	**$1,126**
Securities	—	**142**	**1,066**
Investment in securities	1,040	**765**	**5,740**
Long-term time deposits	150	**—**	**—**
Total	¥1,190	**¥1,057**	**$7,932**

(2) The following assets were pledged to secure short-term bank loans and long-term debt at March 31, 2002.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Time deposits	¥—	**¥300**	**$2,251**
Investment in securities	—	**3**	**23**
Land	—	**101**	**758**
Building	—	**113**	**848**
Total	¥—	**¥517**	**$3,880**

6. Loans and long-term debt

Short-term bank loans are represented primarily in the form of overdraft facility notes bearing annual interest rates ranging from 0.68 percent to 3.5 percent for the two fiscal years ended March 31, 2002. Long-term debt as of March 31, 2001 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
1.71 percent bonds due September 2006	¥ —	**¥ 200**	**$ 1,500**
Long-term debt from banks and insurance companies maturing in 2018 (bearing annual interest rates ranging from 1.75 percent to 3.52 percent)	102,740	**106,833**	**801,749**
Less: current portion of long-term debt	(22,048)	**(20,437)**	**(153,373)**
Net	¥ 80,692	**¥ 86,596**	**$649,876**

The aggregate annual maturity of long-term debt after March 31, 2002 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	**2002**
Year ending March 31,		
2003	**¥ 20,437**	**$153,373**
2004	**15,470**	**116,098**
2005	**19,516**	**146,462**
2006	**27,914**	**209,486**
2007 and after that	**23,696**	**177,830**
Total	**¥107,033**	**$803,249**

7. Other income

The composition of Other income-other for the two years ended March 31, 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Rental received from real estate	¥ 335	**¥ 318**	**$2,387**
Exchange gain	401	**—**	**—**
Amortization of consolidation adjustments	—	**435**	**3,265**
Other	306	**403**	**3,024**
Total	¥1,042	**¥1,156**	**$8,676**

8. Other expenses

The composition of Other expenses-other for the two years ended March 31, 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Equity loss of affiliates	¥330	**¥167**	**$1,253**
Other	235	**278**	**2,086**
Total	¥565	**¥445**	**$3,339**

9. Extraordinary gain

The composition of Extraordinary gain for the two years ended March 31, 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Gain on sales of investment in securities	¥ 3,833	**¥ 6**	**$ 45**
Gain on reversal of reserve for retirement benefits	—	**1,130**	**8,480**
Gain on establishment of financial trust in respect of retirement benefit obligations	8,069	**—**	**—**
Gain on redemption of long-term debt	4,172	**—**	**—**
Gain on sales of fixed assets	726	**361**	**2,709**
Prior period adjustments	430	**365**	**2,740**
Other	91	**20**	**150**
Total	¥17,321	**¥1,882**	**$14,124**

10. Extraordinary loss

The composition of Extraordinary gain for the two years ended March 31, 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Loss from sale of fixed assets	¥ 327	**¥1,266**	**$ 9,502**
Losses from disposition of fixed assets	63	**188**	**1,411**
Losses on revaluation of real estate for trade	204	**126**	**946**
Losses on revaluation of investment in securities	1,863	**849**	**6,371**
Cost for establishment of financial trusts in respect of retirement benefit obligations	14,845	**—**	**—**
Prior period adjustments	10	**189**	**1,418**
Others	1,067	**1,096**	**8,225**
Total	¥18,379	**¥3,714**	**$27,873**

11. Research and development costs

Research and development costs charged to expense for the fiscal year ended March 31, 2002 were ¥2,149 million (U.S.$16,128 thousand).

12. Summary of finance lease transactions

The Company has entered into finance lease contracts. They are summarized as follows:

(1) Acquisition costs, accumulated depreciation and fair value of assets leased by the Company are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Equipment	¥ 323	**¥1,164**	**$ 8,735**
Vehicles	676	**209**	**1,569**
Buildings	21	**40**	**300**
	1,020	**1,413**	**10,604**
Accumulated depriciation	(622)	**(734)**	**(5,508)**
Fair value	¥ 398	**¥ 679**	**$ 5,096**

Depreciation is calculated by the straight-line method assuming no scrap value.

(2) Future lease payments as of March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Within one year	¥129	**¥257**	**$1,928**
Over one year	304	**463**	**3,475**
Total	¥433	**¥720**	**$5,403**

(3) The difference between the aggregate payments and the acquisition costs of lease assets is regarded as an interest and is allocated to respective accounting periods over the term of the lease by the interest-method:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Lease payments	¥200	**¥398**	**$2,987**
Depreciation	180	**374**	**2,807**
Interest expense	18	**24**	**180**

13. Derivative financial transactions

The Company and its consolidated subsidiaries have entered into interest rate swap agreements and forward exchange contracts only to hedge risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

Also, the derivative financial transactions are mainly performed by the Company, and have been made in accordance with the Bylaw which clarified relevant purposes, management and execution procedures.

14. Commitments and contingent liabilities

As of March 31, 2002, commitments for the purchase of machinery and equipment and other assets were ¥2,065 million (U.S.$15,497 thousand), and the Company had contingent liabilities for bank loans amounting to ¥25,068 million (U.S.$188,128 thousand) in respect of affiliated companies and customers.

15. Tax effect accounting

The significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Deferred tax assets			
Loss on revaluation of real estate for trade	¥ 6,034	**¥ 4,794**	**$ 35,977**
Deficit carried forward on tax	4,641	**2,239**	**16,803**
Disapproval on tax purpose concerning allowance for doubtful receivables	2,307	**2,674**	**20,068**
Financial trust in respect of retirement benefit obligation	2,849	**2,888**	**21,674**
Disapproval on tax purpose concerning reserve for retirement benefits	2,592	**3,150**	**23,640**
Disapproval on tax purpose concerning reserve for bonuses	584	**842**	**6,319**
Reserve for directors' and statutory auditors' retirement	517	**598**	**4,488**
Loss on revaluation of investment in securities	—	**526**	**3,947**
Others	2,163	**2,824**	**21,193**
Total: deferred tax assets	21,687	**20,535**	**154,109**
Less: valuation allowance	(997)	**(185)**	**(1,389)**
Deferred tax assets	20,690	**20,350**	**152,720**
Deferred tax assets			
Valuation difference of other securities	(1,281)	**(623)**	**(4,675)**
Amendment for reduction of allowance for doubtful receivables	(120)	**(127)**	**(953)**
Others	(133)	**(138)**	**(1,036)**
Total: deferred tax liabilities	(1,534)	**(888)**	**(6,664)**
Net: deferred tax assets	¥19,156	**¥19,462**	**$146,056**

The material differences between the legal effective tax rate and the actual burden tax rate and the actual burden tax rate after application of tax effect accounting are as follows:

	2001	**2002**
Legal effective tax rate	42.05%	**42.05%**
Permanent exclusion from expenses	14.85	**18.99**
Tax free income	(1.88)	**(1.08)**
Capital levy on inhabitant taxes	5.35	**8.64**
Unrecognized tax effect concerning deficit carried forward on tax	2.94	**3.03**
Unrecognized tax effect on consolidation adjustments	2.69	**(1.15)**
Other	0.31	**2.35**
Actual burden tax rate after application of tax effect accounting	66.31%	**72.83%**

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. Shareholders' equity

(1) Legal reserve and additional paid-in capital

The Japanese Commercial Code requires to provide as a legal reserve over 10% of cash out flow each fiscal year, that is, payment of dividends and/or directors' and statutory auditors' bonuses approved by a Shareholders' meeting, until the amount of additional paid-in capital and legal reserve reaches 25% of common stock.

In the consolidated financial statements, this legal reserve is summed up retained earnings.

(2) Land revaluation excess

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

Date of the revaluation: March 31, 2000

As a result, a revaluation excess and deferred tax liabilities were recognized, the net amount being presented in Shareholders' equity as a Land Revaluation Excess. This excess is also available for cancellation of treasury stocks.

The revaluation difference (loss) between the fair value as of March 31,2002 and book value after the initial enforcement of the Law, is ¥4,293 million (U.S.$32,218 thousand).

(3) Valuation difference of other securities

Net valuation difference after application of tax effect accounting based on the difference between fair market value and book value at the closing date on March 31. This amounted to ¥859 million (U.S.$ 6,447 thousand) as of March 31, 2002.

Deferred tax liabilities amounted to ¥623 million (U.S.$ 4,675 thousand).

(4) Restriction of dividends

It is regulated in the Japanese Commercial Code that unrealized valuation differences from assets evaluated by fair value is not available for payment of dividends.

18. Authorized shares

The Articles of Incorporation require the Company to deduct the number of shares being retired from authorized shares.

19. Retirement benefits

I. Retirement benefit obligations.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
a. Retirement benefit obligation	¥(96,088)	**¥(100,981)**	**$(757,831)**
b. Pension fund assets	50,803	**48,556**	**364,398**
c. Unrecognized retirement benefit obligation	(45,285)	**(52,425)**	**(393,433)**
d. Unrecognized effects of the amendments on the application of the new accounting standards for retirement benefits	21,290	**20,541**	**154,154**
e. Unrecognized actuarial gain or loss	15,965	**23,841**	**178,919**
f. Unrecognized prior service liabilities	—	**(1,579)**	**(11,850)**
g. Net retirement benefit obligations	(8,030)	**(9,622)**	**(72,210)**
h. Prepaid pension cost	—	**—**	**—**
i. Reserve for retirement benefits	¥(8,030)	**¥(9,622)**	**$(72,210)**

II. Retirement benefit costs for the year ended March 31, 2002.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
a. Service costs	¥ 2,109	**¥2,517**	**$18,889**
b. Interest costs	2,946	**2,906**	**21,809**
c. Expected return on pension fund assets	(1,989)	**(1,310)**	**(9,831)**
d. Amortization of effects of the amendments on the application of the new accounting standards for retirement benefits	16,371	**1,580**	**11,857**
e. Amortization of actuarial gain or loss	—	**1,674**	**12,563**
f. Recognized of prior service liabilities	—	**(1,130)**	**(8,480)**
g. Retirement benefit costs	¥19,437	**¥6,237**	**$46,807**

III. Calculation basis of retirement benefit obligations, etc.

a. Recognition method of the projected retirement benefit obligations	Straight-line method
b. Discount rate	3.0%
c. Expected return rate on pension fund assets	3.0%
d. Recognition term of prior service liabilities	Fully recognized as incurred
e. Amortization term of actuarial gain or loss	10 years
f. Amortization term of effects of the amendments on the application of new accounting standards for retirement benefits	15 years

20. Segment information

(1) Business segments

Business segments are primarily composed of the following:

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

Year ended March 31, 2001	Millions of yen					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥428,367	¥ 5,843	¥ 5,931	¥440,141	¥ —	¥440,141
Internal sales or transfer	2	91	8,983	9,076	(9,076)	—
Total	428,369	5,934	14,914	449,217	(9,076)	440,141
Operating expenses	415,807	5,070	14,995	435,872	(8,893)	426,979
Operating income	12,562	864	(81)	13,345	(183)	13,162
Assets	335,882	64,473	36,960	437,315	59,799	497,114
Depreciation	3,234	148	1,565	4,947	—	4,947
Capital expenditures	2,340	5	2,932	5,277	—	5,277

Year ended March 31, 2002	Millions of yen					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	**¥430,474**	**¥ 2,149**	**¥ 8,039**	**¥440,662**	**¥ —**	**¥440,662**
Internal sales or transfer	**1**	**234**	**10,420**	**10,655**	**(10,655)**	**—**
Total	**430,475**	**2,383**	**18,459**	**451,317**	**(10,655)**	**440,662**
Operating expenses	**419,521**	**2,620**	**18,572**	**440,713**	**(10,706)**	**430,007**
Operating income	**10,954**	**(237)**	**(113)**	**10,604**	**51**	**10,655**
Assets	**349,218**	**69,265**	**32,206**	**450,689**	**58,852**	**509,541**
Depreciation	**4,159**	**115**	**2,309**	**6,583**	**(44)**	**6,539**
Capital expenditures	**3,089**	**1**	**966**	**4,056**	**(64)**	**3,992**

Year ended March 31, 2002	Thousands of U.S. dollars					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	**$3,230,574**	**$ 16,128**	**$ 60,330**	**$3,307,032**	**$ —**	**$3,307,032**
Internal sales or transfer	**8**	**1,756**	**78,199**	**79,962**	**(79,962)**	**—**
Total	**3,230,581**	**17,884**	**138,529**	**3,386,994**	**(79,962)**	**3,307,032**
Operating expenses	**3,148,376**	**19,663**	**139,377**	**3,307,415**	**(80,345)**	**3,227,070**
Operating income	**82,206**	**(1,779)**	**(848)**	**79,579**	**383**	**79,962**
Assets	**2,620,773**	**519,812**	**241,696**	**3,382,281**	**441,666**	**3,823,947**
Depreciation	**31,212**	**863**	**17,328**	**49,403**	**(330)**	**49,073**
Capital expenditures	**23,182**	**8**	**7,249**	**30,439**	**(480)**	**29,959**

(2) Geographic segment

Geographic segment is primarily composed of the followings:

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

Year ended March 31, 2001	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
	Millions of yen					
Net sales:						
Customers	¥368,899	¥64,302	¥6,940	¥440,141	¥ —	¥440,141
Internal sales or transfer	—	—	—	—	—	—
Total	368,899	64,302	6,940	440,141	—	440,141
Operating expenses	357,090	63,089	6,800	426,979	—	426,979
Operating income	11,809	1,213	140	13,162	—	13,162
Assets	374,953	46,691	5,718	427,362	69,752	497,114

Year ended March 31, 2002	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
	Millions of yen					
Net sales:						
Customers	**¥362,699**	**¥69,231**	**¥8,732**	**¥440,662**	**¥ —**	**¥440,662**
Internal sales or transfer	**—**	**—**	**—**	**—**	**—**	**—**
Total	**362,699**	**69,231**	**8,732**	**440,662**	**—**	**440,662**
Operating expenses	**353,482**	**68,905**	**7,620**	**430,007**	**—**	**430,007**
Operating income	**9,217**	**326**	**1,112**	**10,655**	**—**	**10,655**
Assets	**384,214**	**55,624**	**8,737**	**448,575**	**60,966**	**509,541**

Year ended March 31, 2002	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
	Thousands of U.S. dollars					
Net sales:						
Customers	**$2,721,944**	**$519,557**	**$65,531**	**$3,307,032**	**$ —**	**$3,307,032**
Internal sales or transfer	**—**	**—**	**—**	**—**	**—**	**—**
Total	**2,721,944**	**519,557**	**65,531**	**3,307,032**	**—**	**3,307,032**
Operating expenses	**2,652,773**	**517,111**	**57,186**	**3,227,070**	**—**	**3,227,070**
Operating income	**69,171**	**2,446**	**8,345**	**79,962**	**—**	**79,962**
Assets	**2,883,407**	**417,441**	**65,568**	**3,366,416**	**457,531**	**3,823,947**

All operating expenses are allocated to the respective segments.

Assets which could not be allocated relate to the general control division in the head office of the Company and subsidiaries and amounted to ¥60,966 million (U.S.$457,531 thousand)at March 31, 2002.

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

(3) Overseas sales

For the year ended March 31, 2001	Millions of yen Southeast Asia	 Others	 Total
Overseas sales	¥64,302	¥6,940	¥ 71,242
Consolidated sales			¥440,141
The proportion of overseas sales to consolidated sales	14.6%	1.6%	16.2%

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.

For the year ended March 31, 2002	Millions of yen Southeast Asia	 Others	 Total	Thousands of U.S. dollars Total
Overseas sales	**¥69,231**	**¥8,732**	**¥ 77,963**	**$ 585,088**
Consolidated sales			**¥440,662**	**$3,307,032**
The proportion of overseas sales to consolidated sales	**15.7%**	**2.0%**	**17.7%**	**17.7%**

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 and Bulgaria.

Independent Auditors' Report

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

We have audited the consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of the readers. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 27, 2002

Shin Nihon & Co.
Shin Nihon & Co.

See notes to the consolidated financial statements which explain the basis of preparing the consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. under Japanese accounting principles and practices.

COMPANY DATA

(As of June 27, 2002)

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 (US$254.9 milion)
No. of Employees	3,655
Website	www.penta-ocean.co.jp

Board of Directors and Auditors

Chairman	Rempei Mizuno*
President	Hideaki Kato*
Directors	Jitsuo Takashina*
	Kazujiro Tetsumura*
	Kazuyuki Kawakami
	Hayuru Tsuda
	Yoshihisa Tomoda
Corporate Auditors	Nobuki Koizumi
	Yuji Watanabe
	Toshiaki Yamane
	Tatsuhiko Tsukada

* Representative Director
(As of June 27, 2002)

Organization Chart

Penta-Ocean Network

Overseas Offices

❶ **Head Office**
2-8 Koraku 2-chome, Bunkyo-ku
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❿ **Hanoi Office**
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Hoan Kiem, Hanoi, Vietnam
Telephone: +84-4-824-1360
Facsimile: +84-4-824-1444

Major Domestic Offices

Head Office (Tokyo)
Sapporo Branch (Sapporo)
Tohoku Branch (Sendai)
Hokuriku Branch (Niigata)
Tokyo Branch (Tokyo)
Kanto Sales Office (Saitama)
Chiba Sales Office (Chiba)
Yokohama Branch (Yokohama)
Nagoya Branch (Nagoya)
Kyoto Sales Office (Kyoto)
Osaka Branch (Osaka)
Kobe Sales Office (Kobe)
Chugoku Branch (Hiroshima)
Yamaguchi Sales Office (Tokuyama)
Shikoku Branch (Matsuyama)
Kyushu Branch (Fukuoka)
Minami-Kyushu Branch (Kagoshima)
Penta-Ocean Institute of Technology (Nasu)

Investor Information

(As of June 27, 2002)

Head Office
Penta-Ocean Construction Co., Ltd.
2-8, Koraku 2-chome, Bunkyo-ku,
Tokyo 112-8576, Japan
Telephone: 81-3-3817-7181
Facsimile: 81-3-3817-7642

Established
April 1896

Financial Year
April 1 to March 31

Common Stock
Authorized: 599,135,000
Issued: 361,407,443

Stock Listing
Tokyo Stock Exchange, First Section

Shareholders
46,021

Transfer Agency
Mizuho Trust & Banking Co., Ltd.
5-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan

Major Shareholders

Shareholder	Shares held (thousands)	Percentage
The Yasuda Fire & Marine Insurance Co., Ltd.	16,304	4.51%
The Yasuda Mutual Life Insurance Company	13,112	3.63
The Fuji Bank, Ltd.*	12,357	3.42
The Asahi Bank, Ltd.	12,030	3.33
The Yasuda Trust & Banking Co., Ltd.	11,611	3.21
The Tokyo Marine & Fire Insurance Co., Ltd.	9,184	2.54
Mitsui Asset Trust & Banking Co., Ltd.	7,000	1.94
Trust & Custody Services Bank, Ltd.	6,743	1.87
The Industrial Bank of Japan, Ltd.*	6,286	1.74
The Hiroshima Bank, Ltd.	5,811	1.61

*Through a merging of the Fuji Bank and the Industrial Bank of Japan, their stock (18,644 thousand shares, 5.16%) was transferred to Mizuho Corporate Bank in April 1, 2002.

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