

Introduction of the Takeover Defense, Reverse Stock Split and Reduction in Share Trading Unit

At the 57th ordinary general meeting of shareholders, held on June 28, 2007, Penta-Ocean Construction Co., Ltd. resolved to introduce takeover defense, conduct a reverse stock split, and revise its Articles of Incorporation to reduce the number of shares in one trading unit.

Overview of the Takeover Defense

Purpose: To prepare for a sudden takeover action (allowing time)

The purpose of adopting a takeover defense is to require a prospective purchaser to submit the necessary information to allow our shareholders to make an appropriate decision and to secure time for the board of directors to consider countermeasures and present alternatives on the premise that it is the shareholders, not the management, who should make a judgment on a takeover bid.

Large-scale purchase rules:

- (1) A prospective large-scale purchaser (a purchase who seeks to hold 20 percent or more of the total voting rights) will be required to submit a letter of intent regarding a large-scale purchase to the board of directors.
- (2) The board of directors shall ask the large-scale purchase to provide necessary and sufficient information.
- (3) A large-scale purchase will commence only after a certain assessment period for the board of directors has elapsed.

Initiation of takeover defense (countermeasure):

- If a large-scale purchaser follows the large-scale purchase rules, countermeasures will not be taken, as a general rule.
- Cases in which countermeasures will be taken, as an exception (When it is considered that the corporate value of the company or the common interests of shareholders will be seriously damaged)
 - (1) a green mailer, (2) an intent to conduct a scorched-earth management, (3) an intent to divert assets, (4) an intent to take advantage of opportunities afforded by a sudden rise in share prices and temporarily high dividends, (5) a coercive two-tiered acquisition, (6) inappropriate acquisition terms and conditions, (7) the possibility that the corporate value could be impaired, (8) a purchase with ties to anti-social organization or with a business that is against public order and morals

Establishment of an independent committee:

The independent committee will consist of three members, including one external director and two external auditors, to eliminate the arbitrary initiation of countermeasures by the Board of Directors.

Term of validity of takeover defense:

It is effective for three years from the general meeting of shareholders held on June 28 until a general meeting of shareholders in 2010.

Reverse Stock Split

Purpose: To increase the effectiveness of the hostile takeover defense

- The issue of stock acquisition rights is one of the effective countermeasures against large-scale purchasers when they do not observe the large-scale purchase rules
- However, we do not have scope to issue stock acquisition rights since the total number of shares outstanding is 491,527,820, compared with the total number of authorized shares of 599,135,000.
- Potential solutions include (1) increasing the total number of authorized shares or (2) consolidating our shares outstanding. Considering dilution and the level of earnings per share when issuing stock acquisition rights, we have determined that the implementation of stock consolidation in (2) together with reduction in share trading unit would be a reasonable measure from the perspective of not impairing shareholder values and the rights of shareholders.

Method of the reverse stock split:

Two shares were consolidated into one share.

- Total number of shares issued: 491,527,820
- Number of shares to be consolidated: 491,527,820
- Reduction in number of shares through consolidation: 245,763,910
- Total number of shares issued after consolidation: 245,763,910

Reduction in Share Trading Unit

Purpose: To avoid as much as possible any impact on the rights (the exercise of voting rights) of shareholders and investment convenience and liquidity in the market, the number of shares per unit was changed at the time the reverse stock split comes into effect.

Details of the change:

The number of shares per unit was changed from 1,000 shares to 500 shares.

Effective date of the reverse stock split the and reduction in Share Trading Unit

August 7, 2007 Effective date of stock consolidation
October 4, 2007 Delivery of new shares