Penta-Ocean Construction

Annual Report 2009

Year Ended March 31, 2009

Creating rich environment for future generations

Penta-Ocean Construction Co., Ltd. is one of Japan's leading comprehensive construction companies, with 27 subsidiaries and two affiliates making up the Penta-Ocean Group worldwide.
The Company is a leading producer of construction technology, developing materials and machinery for technologically advanced and geologically challenging construction projects.
Penta-Ocean Construction has been actively involved in many very-large-scale civil and architectural engineering projects in Japan and overseas for 113 years.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

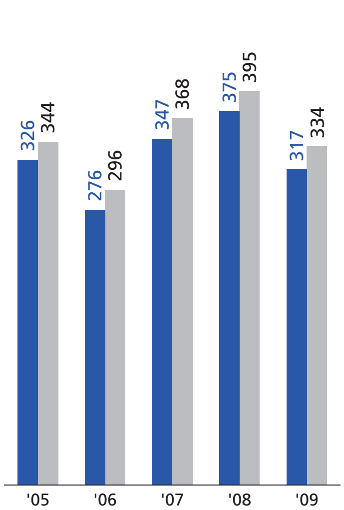
Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Order Received	¥395,083	**¥334,236**	**$3,402,586**
Net Sales	352,809	**398,486**	**4,056,660**
Contract Backlog	481,870	**411,536**	**4,189,513**
Total Assets	340,233	**339,587**	**3,457,062**
Total Net Assets	53,851	**53,827**	**547,969**
Ordinary Income	5,097	**7,073**	**72,009**
Income before Income Taxes and Minority Interests	4,328	**3,301**	**33,608**
Net Income (Loss)	2,571	**(3,337)**	**(33,972)**
Cash Dividends	—	**—**	**—**

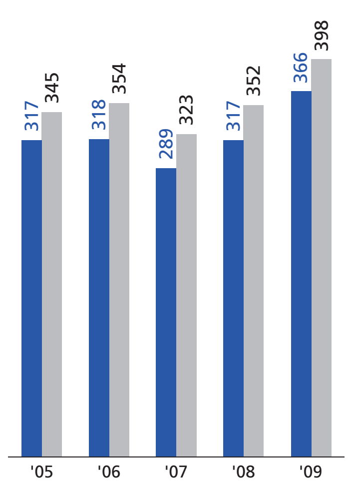
Per share of common stock	Yen		U.S. dollars
Total Net Assets	¥219.19	**¥212.43**	**$2.19**
Net Income (Loss)	10.46	**(13.58)**	**(0.14)**
Cash Dividends	—	**—**	**—**

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥98.23 per U.S.$1, prevailing on March 31, 2009.
(Only figures for Construction Orders Received)

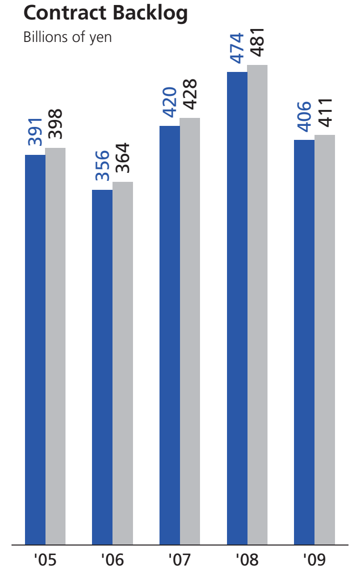
Orders Received
Billions of yen



Net Sales
Billions of yen



Contract Backlog
Billions of yen



■ Non-Consolidated ■ Consolidated

MESSAGE FROM THE PRESIDENT

I wish to extend my appreciation to our shareholders for their support, and my wishes for their continued success. Please allow me to share an overview of our operating results for fiscal 2008 (fiscal period 59), as well as our forecasts for fiscal 2009 (fiscal period 60).

During the current fiscal year, the "Lehman Shock" of September 2008 transformed the sub-prime loan problem into a global financial crisis, damaging real economies around the world. Impacted by this development, the economy of Japan experienced a rapid contraction, with private company earnings damaged significantly. We expect that the Japanese economy will experience negative growth for the fiscal year.

Facing this business environment, the Group has returned to the roots of our business as a construction firm, building greater on-site capacity, reinventing ourselves as a Technology-Driven Company emphasizing profitability, and pushing vigorously for new projects and profitability. Domestic construction and overseas orders received were lower than the prior fiscal year; accordingly, Construction Orders Received underperformed the prior fiscal period. However, our large construction Backlog contributed to both Construction Revenues and Gross Profit showing a year-on-year increase.

Despite projections of weak private-sector demand in the domestic construction market over the next fiscal period, there are promising signs of public-sector demand. Where government construction contracts are mainly subject to award via the technical integrated bid evaluation system, the major issue in this environment of increasingly severe competition is how to win projects by showcasing our technological capabilities. The weakness in the private-sector construction market will signal even more intense competition. A focus on profitability and strict credit management are two major issues we must control to ensure profits and cash flow. We must also engage in careful construction management both domestically and overseas—eliminating any potential quality or safety issues—to ensure that the contracts we win lead to profits.

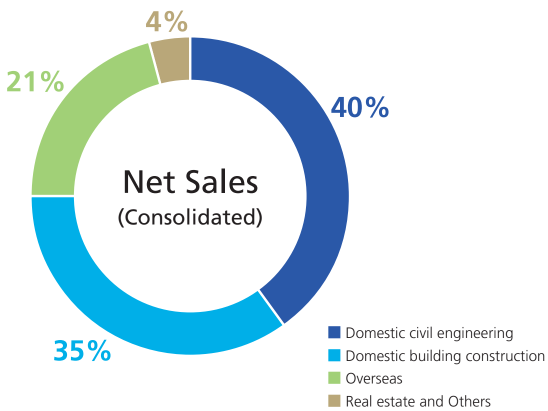
June 26, 2009

Y. Murashige

Yoshio Murashige,
President and Representative Director

Questions and Answers with President Murashige

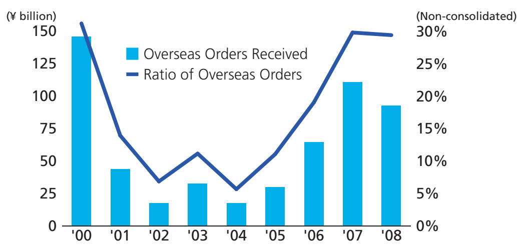
Q **What is the composition of net sales for the period?**



A **Approximately 96% of Group net sales come from our construction business. Revenues from real-estate development, shipbuilding, equipment leasing, finished goods sales and other businesses represent only about 4% of net sales.**

Consolidated net sales for the current fiscal year amounted to ¥398.5 billion (a year-on-year increase of ¥45.7 billion, or 14.0%). Net sales from domestic civil engineering, domestic construction, and overseas construction all exceeded prior year levels. Domestic civil engineering performed well in winning new orders, while the Haneda Airport runway expansion project also made a significant contribution. While domestic construction experienced a significant decrease in orders during the period, strong order levels from fiscal 2007 supported the increase in net sales. Overseas construction net sales were affected by the strong Japanese yen; however, strong orders for a second consecutive year and a full slate of backlog orders were major factors in the growth of this segment.

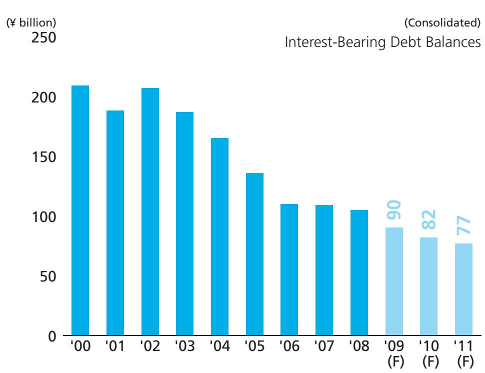
Q **It appears that Penta-Ocean has enjoyed strong performance in orders for the past year or two. Does the Group plan to continue aggressive expansion overseas?**



A **One of our top priorities is to ensure the profitability of our overseas construction projects; our target is to have about 20% of all orders received coming from overseas.**

Penta-Ocean has more than 50 years of experience in overseas projects, beginning in 1957 with technical direction of the Goa Port in India. During the 1960s and 1970s, the Group was involved in several large-scale projects, including the Suez Canal Improvement project and Singapore land reclamation projects. Currently, the Company works out of bases in Singapore and Hong Kong, and plans to establish a new base of operations in Vietnam within the next several years. The Group has indeed experienced strong orders over the past one or two years; however, our highest priority is project profitability, and we have set a target to have about 20% of our orders come from overseas projects.

Q **The Company appears to be reducing levels of interest-bearing debt in efforts to improve its financial well-being. What are the specific targets?**



A **Our goal is to reduce interest-bearing debt to a consolidated ¥8.2 billion and have a DE ratio (net) of 1.0 by 2010, which is the final year of our Advance 21 mid-term management plan.**

Coastal civil engineering construction projects (domestic and overseas) represent the main portion of our business. This business, belonging to what is called the processing industry, requires special capital investment in dredgers and soil improving ships. Our capital investment is supported by loans from financial institutions, which means that interest-bearing debt still remains high in comparison to total assets. Naturally, we view the reduction of interest-bearing debt and improved net worth as pressing issues in connection with creating a stronger balance sheet. We will continue to reduce our levels of interest-bearing debt to build a more robust financial footwork for the Group.

Our goal is to reduce consolidated interest-bearing debt to ¥8.2 billion, and to achieve a DE ratio (net) of 1.0 by 2010, which is the final year of our Advance 21 mid-term management plan.

DOMESTIC CIVIL ENGINEERING

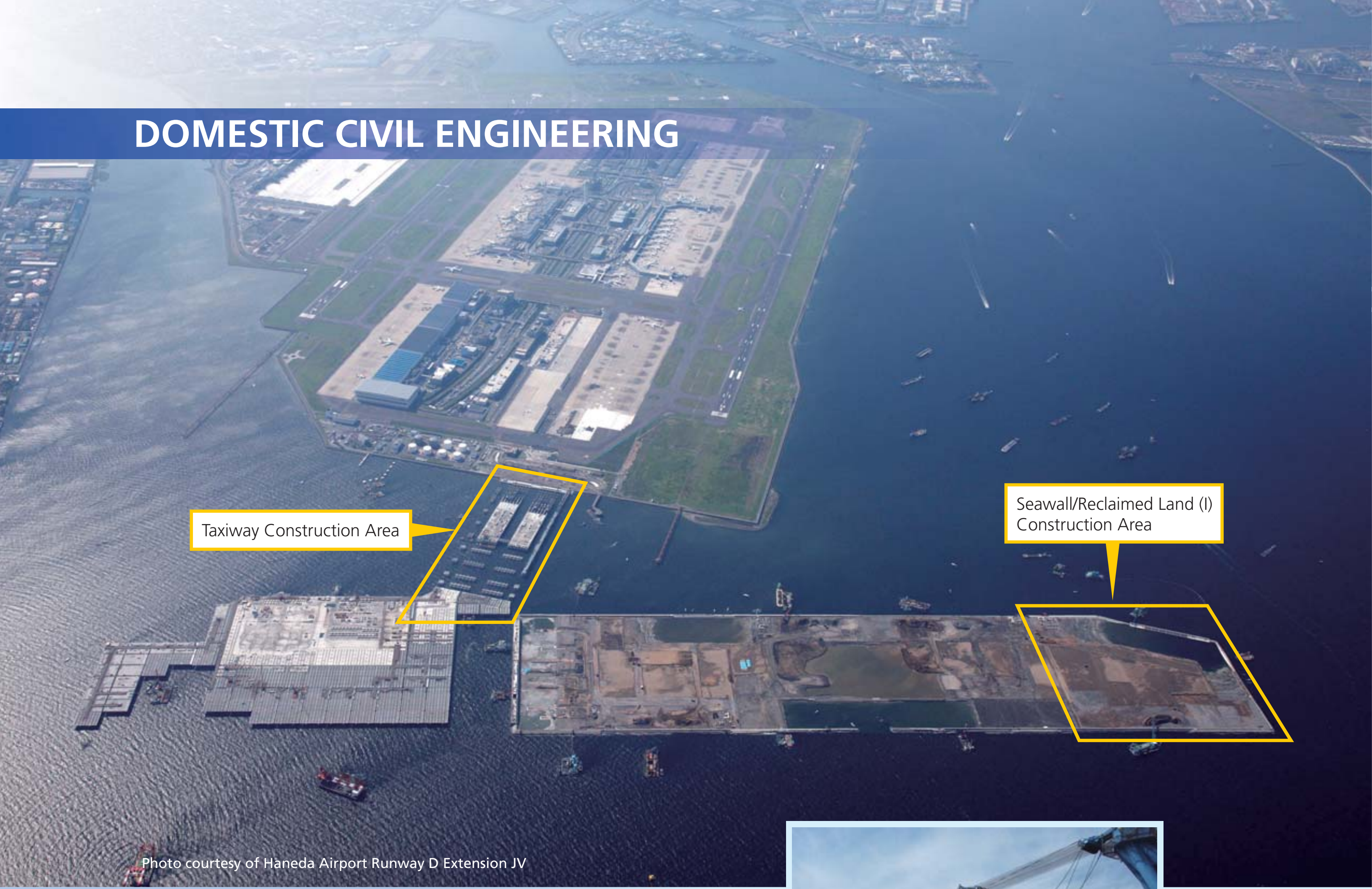


Photo courtesy of Haneda Airport Runway D Extension JV

Haneda Runway D Exterior Construction

The Tokyo International Airport (Haneda) is the hub of Japan's domestic transportation network, used by nearly 60% of the nation's air travelers. Officials expect an increasing demand for domestic airline capacity, as well as growth in international traffic.

The expansion project consists of Runway D, the international passenger terminal, the cargo terminal, and all of the apron facilities.

The Runway D construction project will see the construction of the fourth runway at the head of the airport island structure, which is 3,120m in total length. The Company will be responsible for 518m of the seawall/land reclamation construction at the head of the runway, which is 3,120m in total length. The project involves an extremely high embankment, the likes of which have not been seen in any offshore airport to date. The Company will also be involved in the construction of a taxiway.

The successful completion of this project will increase the annual capacity for arrivals and departures from the current 303,000 (as of September 1,2007) to 407,000, providing transportation network diversity that will enhance the convenience of all users of the facility. This new construction will also allow the facility to take in regular international flights, while keeping up with future domestic air transportation demands.

Nagoya Harbor Tobishima Pier South Dock (-16m)

Nagoya Harbor boasts the greatest volume of cargo shipments in Japan. To become even more competitive internationally as a super hub port, the harbor needed to become a next-generation deep water container terminal that is resistant to earthquakes. The Company was part of a joint venture to construct 100m of the 350m dock for the No. 2 Berth Construction Project.

Construction Period	July 9, 2007 to August 8, 2008
Client	Ministry of Land, Infrastructure, Transport and Tourism, Chubu Regional Development Bureau
Project Overview	Foundation Construction : Foundation stone/armor stone placement, leveling 28,304m^3 Main Structure Construction : Steel jacket construction/installation 2 (560,570t/installation) Foundation steel pipe piled foundation 28 (φ1,300 L=78.372m/pile) Upper Construction : Slab construction/installation 120 slabs (concrete 1,481m^3 rebar 549.2t)

Chikushino Logistics Complex

The Company developed a total area of 30,000 tsubo in Chikushino, Fukuoka Prefecture for use as a logistics warehousing facility. Reservoirs for agricultural water and fish breeding were located around the development area, requiring the Company to perform construction work with extreme care to prevent damage from mud flows during rainy weather.

Construction Period	August 1, 2006 to August 31, 2008
Client	Commercial RE Co., Ltd.
Project Overview	Development Area : 22ha Excavated Volume : 830,000m^3 Regulation Reservoirs : Two Retaining Wall Extension : 1,041m

Shinsashiki Tunnel

The Company participated in a joint venture responsible for construction of 1,518m of the 2,919m tunnel in Ashikita-machi, Kumamoto Prefecture. The tunnel is part of Minami-Kyushu Expressway.

Construction Period	November 3, 2004 to August 31, 2009
Client	Ministry of Land, Infrastructure, Transport and Tourism, Kyushu Regional Development Bureau
Project Overview	Cross Section : A=67m^2 Construction Length : L=1,518m (Total Length L=2,919m) NATM construction

DOMESTIC ARCHITECTURAL

Hiroshima Ballpark

The Company completed construction of the Hiroshima Ballpark, home of the Japan Professional Baseball Central League Hiroshima Toyo Carp.

The project expanded the building and floor area of the former ballpark by 300 percent. One feature of the new park is the natural grass infield and outfield, in recognition of major league baseball. The ballpark also features 27 different types of unique and engaging fan seating, including terrace seating with tables and chairs, and field-level seating, where fans can watch the players in action just a few feet away. The ballpark is encircled by a concourse, and was planned with universal design considerations.

The first level seating is constructed of cast-in-place concrete, while the second level seating consists of pre-cast structures. To complete the construction in the short 17 months allotted, the precast seating for the second level was subject to a detailed production schedule according to each component, fashioned concurrently in nine different factories located as far north as Hokkaido and as far south as Kumamoto.

With the construction site located in the heart of the city, the Company took great care regarding safety, as well as other considerations such as noise and vibration when operating and moving construction equipment.

Each and every worker came together with enthusiasm and purpose on this project, creating a wonderful ballpark that exceeded the expectations of the client, the players, and the fans.

Yatomi Logistics Center

The Company constructed an environmentally friendly logistics center (solar energy power production, etc.) in the Yatomi district of the Nagoya Harbor. Built on reclaimed land and under a tight schedule, both construction and civil engineering personnel (soil improvement) cooperated to produce a successful project.

Construction Period	September 21, 2007 to April 30, 2008
Client	Isewan Terminal Service Co., Ltd.
Project Overview	Construction : One story; steel beam Building Area : 25,006.37m² Gross Floor Area : 25,494.83m²

Hiroshima Nagisa Junior High/Senior High School

The Company completed construction for the Hiroshima Nagisa Junior High/Senior High School facility located along the coast in the western district of Hiroshima city. Together with the elementary school that the Company constructed about five years prior, the complex now offers an educational environment for students in all primary grades. The concept of the new building was light and air; from the piloti construction of the entrance to the courtyard landscaped with circled trees, the Company successfully executed a space providing an impressive sense of freedom.

Construction Period	June 1, 2007 to August 31, 2008
Client	Tsuru Gakuen
Project Overview	Construction : Four stories; Reinforced concrete; partial steel beam Building Area : South Block 5,771.79m²/North Block 2,164.06m² Gross Floor Area : South Block 13,676.07m²/North Block 3,793.36m²

Miyajima Public Aquarium

Hatsukaichi City in Hiroshima Prefecture is famous for Miyajima's Itsukushima Shrine, a UNESCO World Heritage Site. Here, the Company is planning the reconstruction of the Miyajima Public Aquarium using the PFI construction method. The new aquarium will feature a massive 350-ton tank, as well as a tank for the well-known Seto Inland Sea oysters.

Construction Period	March 17, 2009 to July 31, 2011
Client	Miyajima Aqua Partners Co., Ltd. Original Client: Hatsukaichi City
Project Overview	Construction : Aquarium Building : Two stories; reinforced concrete Marine Animal Building : Two stories; reinforced concrete Viewing Pool : One story: reinforced concrete; partial steel beam Building Area : 4,201.97m² Gross Floor Area : 5,331.99m²

Marina Bay Expressway

The Marina Bay Expressway construction project has been planned to facilitate the continued development of the city, anticipating an increase in traffic around the Marina Bay area associated with the rise of Singapore casinos and hotels in the district. Cutting through the center of the Marina Bay, the new expressway will have five lanes on each side, running 5km to connect other expressways in the region. The Company will be involved in the construction of a tunnel under the Marina Bay seabed (420m in length) at the mouth of the Singapore River, as well as an underground tunnel (280m in length).

The Company will use a cement solidification agent to improve the foundation for the undersea tunnel at the mouth of the river. A double-sheet-pile coffer dam will be used as a temporary structure, and once the area is dry, the Company will commence the construction of a reinforced concrete box culvert of 420m in length, by 52.4m wide, by 11.5m high. The prospect of creating a large-scale double-sheet-pile coffer dam 20m below an ultra-soft seabed is very technically challenging. The Company has assembled all of its technological capabilities, and is proceeding with construction work.

Thi Vai Cargo Terminal

The Company constructed a deep-underground cargo terminal in the Cai Mep-Thi Vai district in southern Vietnam, designed to meet the growing demand for cargo services in the region. The Company is also engaged in upgrade construction as part of a Japanese government yen-denominated loan venture in a neighboring area.

Construction Period	July 30, 2007 to July 29, 2009
Client	SP-PSA International Port Co., Ltd.
Project Overview	Steel Pipe-Piled Berth : Depth: -14.5m Length:600m (300m x 2Berths) Approach Trestle : 3nos. Cargo Terminal Yard : Approx. 27ha Dredging : Approx. 820,000m^3 Soil Improvement : Approx. 240,000m^2 Building Facilities : 7Nos. Total Area:13,040m^2 M&E : 1Unit

Sihanoukville Port Expansion

The Sihanoukville Port is the only international port in Cambodia, and is the subject of infrastructure upgrades to support economic development in the area. The Company was engaged to extend the port container berth, as well as to perform dredging and other construction work.

Construction Period	July 10, 2005 to December 31, 2008
Client	Port Authority of Sihanoukville, Ministry of Public Works and Transport
Project Overview	Dredging of Port Basin : 588,000m^3 Reclamation : 91,000m^3 Container Berth : 160m Building Facilities : 4 Nos. Total Area 2,542m^2

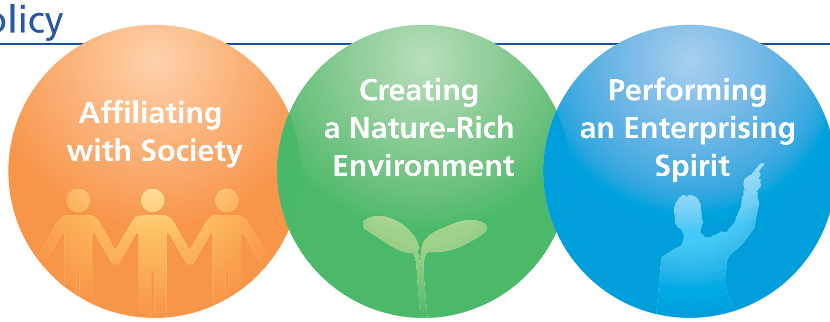
HKU Space PLK Community College

The Causeway Bay Harbor is the leading commercial district on Hong Kong Island. The Company completed construction of the HKU Space PLK Community College situated along the harbor in April 2008.
The Company also completed construction of a school building at the Chinese University of Hong Kong in the Sha Tin District in February 2009, and is currently engaged in new construction at the Hong Kong Institute of Vocational Education in the New Territories. Over the past five years, the Company has been involved in the construction of nine different educational facility construction projects, steadily building a solid reputation in the area.

Construction Period	May 18, 2007 to June 28, 2008
Client	HKU SPACE Po Leung Kuk Community College Limited
Project Overview	Structure : Reinforced concrete Construction : 19Storeys & 1Penthouse Building Area : 1,080m^2 Gross Floor Area : 17,300m^2

CORPORATE POLICY / CORPORATE VISIONS / CSR POLICY

Corporate Policy



Corporate Visions

"Creative company"
for land and sea

As a leading contractor in coastal and waterfront area, we seek to create attractive environment and pursue customer satisfaction and social contribution as an engineering-oriented company.

"Committed company"
guaranteeing solid quality

We build trustful relationship with our customers and society through providing high quality workmanship and safe products backed by solid technologies.

"Future-oriented company"
creating rich environment for future generations

We establish quality and nurture rich environment throughout the course of our corporate activities and pass on our dreams, hopes and possibilities to the next generations.

Corporate Social Responsibility Policy

Penta-Ocean Construction Group views that its greatest contribution to society is the construction of superior infrastructure. We aim to transform into a respectable and highly attractive group of companies not only to our shareholders, customers, business partners, employees, but also to local communities by means of providing solid quality workmanship backed by advanced technologies with high regard to safety and ecological considerations.

1 Dignified Business Conduct

We take an honest approach to our business operations at all times, aside from observing the laws and ordinances, and respecting social norms and ethics.

2 Environment and Nature Coexistence

We enhance global environment preservation by developing environmentally friendly infrastructures and technologies.
We develop safe living environment through developing disaster measure technologies applicable to both system and structures.
In time of emergency, we also implement quick-responding support activities.

3 Human Propriety

We create a working environment that motivates our employees, and respect their individuality and enabling them to fully demonstrate their abilities.
We respect human rights and adhere to the diversity of not only our employees but of all people connected with the Company.

4 Information Transparency

We are committed to broad-based communications with our stakeholders (including shareholders, customers, business partners, employees, and the local communities), and at the same time, demonstrate maximum accountability by timely disclosing of appropriate information.

COMMUNICATING WITH SOCIETY

We contribute to a better society by establishing ongoing communications with the local community through our construction activities. We sponsor construction site tours, as well as participate in and help with volunteer activities, company training, and other events as part of an expanding body of activities conducted in close coordination with the local community.

Participation in the Sea Forest Project

We are participating in the "Sea Forest Project" sponsored by the Tokyo Metropolitan Government Bureau of Port and Harbor at the Odaiba Beach Park. Our Company is responsible for the Ubame Oak and Castanopsis sieboldii trees, and our employees pick up acorns in cooperation with the tree planting program. In three years, the acorns planted in a garbage landfill in Tokyo Harbor will be reborn into a beautiful forest.

The Company also contributes to the "Green Tokyo Fund" associated with this project, for which we received a letter of appreciation in the form of the Environment Bureau Director General's Award from the City of Tokyo.

Cooperation with the Cicada Shell Research Program

Our employees participate in the "Cicada Shell Research" program sponsored by a non-profit environmental organization as nature observation counselors.

During the summer, participating children pick up cast off cicada shells, using them to research the effects of global warming.

Annual Institute of Technology Tours for Elementary School Students

Hand-made presents received from local students.

Every year, Penta-Ocean Construction sponsors tours of our Institute of Technology (Nasushiobara City, Tochigi Prefecture) for local elementary school students. The tours are held annually on the November 18 "Civil Engineering Day." November 18, 2008 marked the 14th such event for the Company. Students have a rare opportunity to learn about the coral ecology, to be surprised by sound that concrete makes at its breaking point, and to learn more interesting facts about the activities of the construction business.

Revised Medium-term Management Plan: "Advance 21"

Fiscal 2009 (fiscal period 60) signals the second year of the Company's medium-term management plan, "Advance 21" (fiscal years 2008 through 2010); however, the Company has decided to revise our Advance 21 plan, due to unanticipated changes in the market environment. While our fundamental objective has not changed ("to become the No. 1 contractor in coastal and waterfront areas, leading the market in this era of technological competition"), we have revised certain numerical targets and basic strategies.

We now forecast consolidated Net Sales of 355.5 billion yen for fiscal 2009 (fiscal period 60), with Operating Income of 11.0 billion yen, Ordinary Income of 8.0 billion yen, and Net Income of 2.8 billion yen. For non-consolidated earnings, we project Construction Orders Received of 291.0 billion yen, Net Sales of 322.5 billion yen, Operating Income of 10.5 billion yen, Ordinary Income of 7.5 billion yen, and Net Income of 2.5 billion yen.

Advance 21 Basic Policies

Practice Honest Corporate Activities

Establish Penta-Ocean as a Technology-Driven Company

Strengthen On-Site Capabilities

Become the No. 1 Contractor in Coastal and Waterfront Areas, Leading the Market in this Era of Technological Competition

Secure ongoing project volume in government works projects (including economic stimulus projects); gradually expand project volume as the private sector recovers.

(1) Secure ongoing project volume in government works projects (including economic stimulus projects)
(2) Strengthen technological capacity for large-scale projects after the Haneda runway expansion (e.g. harbors, airports)
(3) Build a foundation of top-class construction clients; practice careful credit management; focus on profitability
(4) Continue to build ongoing business in Singapore and other Southeast Asian regions

Basic Strategies

Strengthen Profitability in Our Core Business

~Gradual growth focusing on profits

(1) Establish Penta-Ocean as a Technology-Driven Company
Return to our origins, and enhance on-site capabilities

(2) Focus on Profitability
Eliminate unprofitable projects

(3) Strengthen our Fields/Areas of Expertise
Focus energies on coastal and major metropolitan areas

(4) Strengthen Coordination between Domestic and International Entities

(5) Continue to Reduce Construction Costs and Administrative Expenses

(6) Reassign Personnel; Train and Educate Personnel; Respond to Retirement of Baby Boomers

(7) Strengthen Group Management
Better project selection and focus

(8) Capital Investment to Strengthen Competitive Ability

(9) Focus Resources on New Businesses; Promising Future Fields

Strengthen Management Capabilities

~Create and operate a practical system of internal controls

(1) Daily Practice of CSR
Contribute to society through the practice of honest corporate activities and through our core business

(2) Risk Management
Daily focus on compliance; early detection and appropriate response to risk

(3) Corporate Governance
Work toward Company-wide/Group-wide optimization; focus on management strategies

(4) Creation and Operation of a system of Group-wide internal controls

Continue to Strengthen Financial Health

~Solidify the foundation for future growth

(1) Continue to Reduce Interest-Bearing Debt
(2) Improve Capital Structure
(3) Gradually Sell Non-Core Assets

The Business Environment

Economic Factors

- Worldwide Recession
- Financial Contraction
- Exchange Rate Fluctuations
- Share Price Fluctuations
- Land Price Declines

Japanese Society

- Aging Population
- Stronger Ability to Compete Internationally
- Investment Efficiency
- Governmental Decentralization

Construction Industry

- Excess Supply
- Emphasis on Quality/Technology
- Technical Integrated Bid Evaluation System
- Bankruptcies

Corporate Management

- CSR
- Compliance
- Internal Controls

Construction Market

- Public Sector: Major economic crisis response measures
- Allocation based on Budget Priorities
- Private Sector: Stagnant Capital Investment, Stagnant Housing Market
- Overseas: Deceleration of Project Implementation, Robust ODA

A true era of technological competition in which only firms with superior technology and management will survive

Medium-Term Management Plan Earnings Targets

(Hundred Millions of Yen)

	Advance 21				Fiscal 2011 Plan	
	Fiscal 2008 Actual		Fiscal 2010 Plan			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Earnings Targets						
Construction Orders Received	—	¥3,161	—	¥3,150	—	¥3,350
Net Sales	¥3,985	3,666	¥3,560	3,230	¥3,720	3,390
Gross Profit	289	259	281	259	290	268
SG&A	181	162	166	149	165	148
Operating Income	108	97	115	110	125	120
Ordinary Income	71	71	85	80	95	90
Net Income	(33)	(31)	28	25	38	35
Earnings Per Share	(13.6 yen)	—	1 yen or greater	—	15 yen or greater	—
Consolidated Financial Targets						
Interest-Bearing Debt	¥1,052		¥820 or less		¥770 or less	
D/E Ratio	1.3 x		1.0 x or less		0.8 x or less	
ROE	(6.3%)		4.0% or greater		6.0% or greater	

Resumption of Dividends

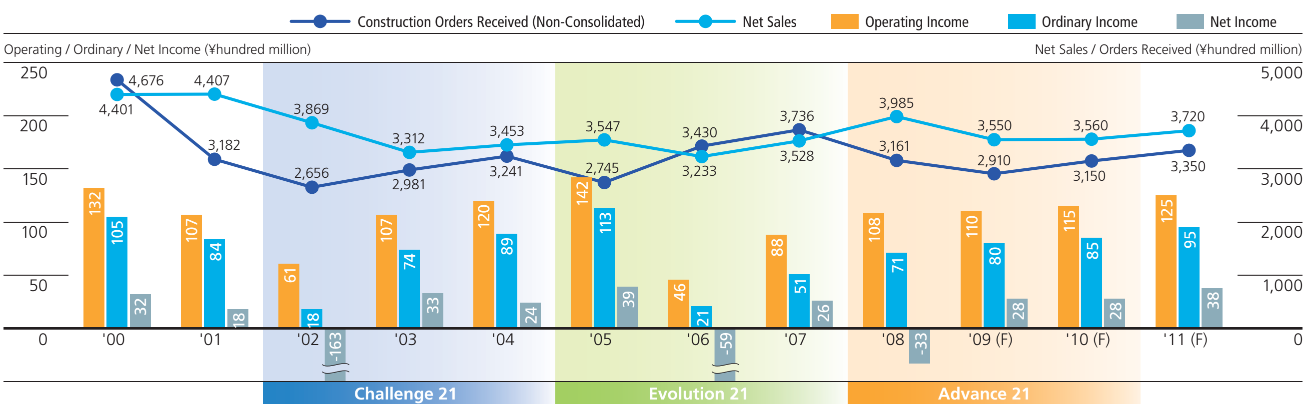
- The Company plans to resume dividend payments for fiscal 2009 after eight periods of suspended dividends. The Company intends to pay ¥2 per share (consolidated payout ratio of 17.5%)

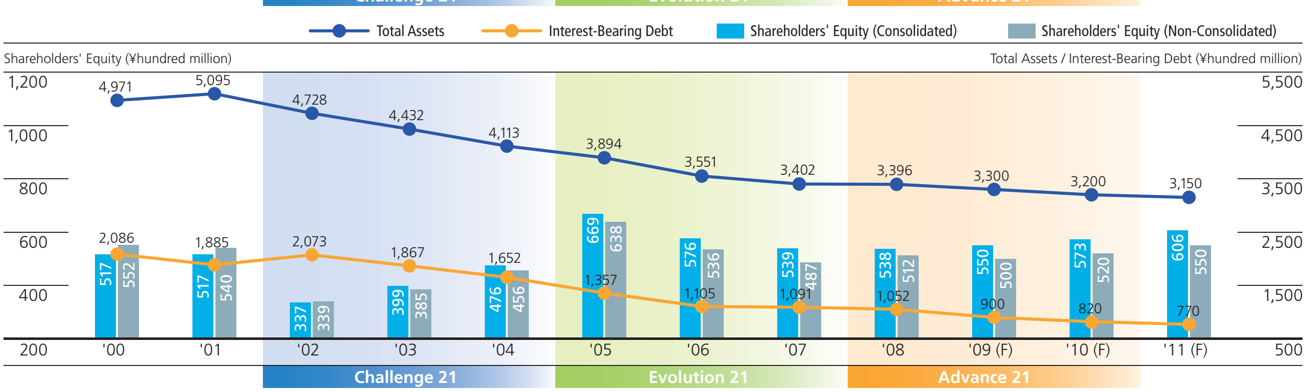
Major Fiscal Targets for Fiscal 2010 (consolidated)

- Ordinary Income ¥8.5 billion or greater
  D/E Ratio (net) 1.0 or less

*D/E Ratio (net) = (interest-bearing debt - cash and deposits) / net assets

Major Operating Trends/Plan (Full-Year)





CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Five-year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Orders received	¥344,716	¥296,046	¥368,262	¥395,083	**¥334,236**	**$3,402,586**
Construction	344,716	296,046	368,262	395,083	**334,236**	**3,402,586**
Net sales	345,266	354,657	323,265	352,809	**398,486**	**4,056,663**
Construction	334,802	338,842	311,389	337,476	**384,824**	**3,917,581**
Development business and other	2,368	4,488	1,447	4,436	**1,209**	**12,308**
Other	8,096	11,327	10,429	10,897	**12,453**	**126,774**
Contract backlog	398,369	364,407	428,218	481,870	**411,536**	**4,189,514**
Construction	398,369	364,407	428,218	481,870	**411,536**	**4,189,514**
Total assets	411,322	389,367	355,069	340,233	**339,587**	**3,457,060**
Net assets excluding minority interests	47,640	66,891	57,581	53,851	**52,188**	**531,284**
Ordinary income	8,864	11,341	2,078	5,097	**7,073**	**72,004**
Income (loss) before income taxes and minority interests	9,500	10,019	(11,890)	4,328	**330**	**3,359**
Net income (loss)	2,360	3,876	(5,858)	2,571	**(3,337)**	**(33,971)**
Cash dividends	—	—	—	—	**—**	**—**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding minority interests	¥120.55	¥136.12	¥117.18	¥219.19	**¥212.43**	**$2.16**
Net income (loss)	6.25	8.57	(11.92)	10.46	**(13.58)**	**(0.14)**
Cash dividends	—	—	—	—	**—**	**—**
Number of employees	3,684	3,557	3,464	3,414	**3,335**	

Notes:
1. The amounts of orders received and contract backlog related to development business and other business are not stated on the above summary, because those amounts are small and do not have a material effect to respective total amounts.
2. Figures in U.S. dollars are converted for convenience only, at the rate of ¥98.23 per U.S.$1, prevailing on March 31, 2009.

Business Performance

The Group achieved significant growth in net sales during the consolidated fiscal year under review, recording ¥398,486 million (US$4,056.7 million), a year-on-year increase of ¥45,677 million (US$465.0 million) (12.9% increase). Operating income was ¥10,822 million (US$110.2 million), or an increase of ¥1,981 million (US$20.2 million) (22.4% increase) compared to the prior consolidated fiscal year. Ordinary income increased ¥1,977 million (US$20.1 million) year-on-year (38.8% increase), amounting to ¥7,073 million (US$72.0 million). However, the Group recorded extraordinary losses of ¥7,804 million (US$79.4 million), including a loss on valuation of investment securities in the amount of ¥5,767 million (US$58.7 million). These losses resulted in the Group recording a net loss for the current consolidated fiscal year of ¥3,337 million (US$34.0 million) (compared to net income of ¥2,571 million (US$26.2 million) for the prior consolidated fiscal year).

Segment Information

The Group's main business line lies in the domestic construction market, which continued to experience cutbacks in public works investment both nationally and regionally. Accordingly, our construction business segment remained flat in general; however, segments for which prioritized budget allocations are made to strengthen international competitiveness, such as harbors, airports, and other major projects, have been performing well. The effects of the revised Building Standards Law on housing investment have mostly attenuated, yet the market continues to be stagnant due to factors that include a cool consumer sentiment. Under the pressure of poor corporate earnings, private non-housing construction projects have contracted, driving down capital investment. Overseas, the Group is focused mainly in Southeast Asia and the Middle East. Here, infrastructure projects for ports, roads, and schools, as well as investment in ODA projects, continue to be strong. As a result of these factors, construction revenues amounted to ¥384,823 million (US$3,917.6 million), or a year-on-year increase of ¥47,348 million (US$ 482.0 million) (14.0% increase). The Group recorded ¥10,822 million (US$110.2 million) in operating income, representing an increase of ¥1,981 million (US$20.2 million) (22.4% increase) compared to the prior consolidated fiscal year.

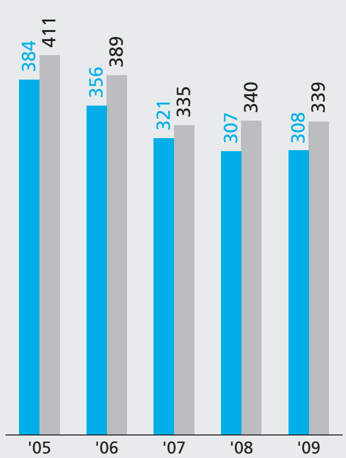
Circumstances surrounding the domestic real estate market continued to deteriorate during the current consolidated fiscal year. These conditions resulted in net sales for our Development Business segment experiencing a year-on-year decrease of ¥3,227 million (US$32.9 million) (72.7% decrease), amounting to ¥1,209 million (US$12.3 million). However, the Group was able to hold operating loss on par with the prior consolidated fiscal year, recording ¥401 million (US$4.1 million) (compared to an operating loss of ¥370 million (US$3.8 million) in the prior year).

The Group's Other Business segment consists primarily of shipbuilding, the sale/lease of construction materials and equipment, and the leasing of vessels. An increase in net sales in the Group's shipbuilding business contributed to segment net sales of ¥12,453 million (US$126.8 million), representing a year-on-year increase of ¥1,556 million (US$15.8 million) (14.3% increase). Higher materials costs resulted in operating income of ¥1,042 million (US$10.6 million), which represents a decrease of ¥162 million (US$1.6 million) (13.5% decrease) compared to the prior consolidated fiscal year.

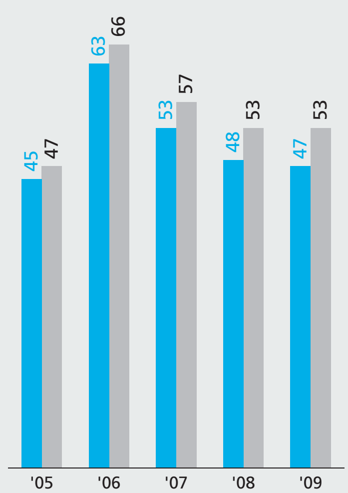
Orders Received and Contract Backlog

Construction orders received experienced a 15.4% year-on-year

Total Assets
Billions of yen



Total Net Assets
Billions of yen



■ Non-Consolidated ■ Consolidated

decline. While domestic civil engineering projects grew 1.8% compared to the prior consolidated fiscal year, stagnation in the private construction market led to a 27.9% year-on-year decrease in domestic construction projects.

On a non-consolidated basis, domestic civil engineering projects grew 1.5% year-on-year. Domestic construction projects decreased by 28.1%, and overseas construction projects decreased by 16.5%. As a whole, non-consolidated construction orders received decreased 15.4% compared to the prior fiscal year.

Financial Position

Group total assets decreased by ¥600 million (US$6.1 million) compared with the prior fiscal period, amounting to ¥339,600 million (US$3,457.2 million). Changes in revenue recognition standards for contracted construction resulted in a decrease in cost of uncompleted construction contracts, while the Group also experienced a decrease in deferred tax assets. However, the Group recorded offsetting increases in cash and deposits, as well as real estate for trade. The Group continued to decrease interest-bearing debt and long-term loans payable. At the same time, notes and accounts payable were at higher levels than the prior consolidated fiscal year. As a result, liabilities decreased by ¥600 million (US$6.1 million) compared to the prior consolidated fiscal year, amounting to ¥285,800 million (US$2,909.5 million). Given the consolidated net loss recorded, retained earnings decreased by ¥3,300 million (US$33.6 million). However, due to recording of a loss on valuation of investment securities as an extraordinary loss, valuation difference on available-for-sale securities increased by ¥1,700 million (US$17.3 million), which helped keep net assets on par with the prior consolidated fiscal year at ¥53,800 million (US$547.7 million).

Cash flows

Cash flows from operating activities experienced a net increase of ¥23,900 million (US$243.3 million), resulting in a ¥33,000 million (US$335.9 million) increase compared with the prior consolidated fiscal year. The main factor behind this increase was the collection of funds related to the advanced outlays for completed contracts, primarily associated with large-scale projects won during the prior consolidated fiscal year.

Cash flows from investing activities experienced a year-on-year decrease of ¥6,000 million (US$61.1 million), due to net outlays of ¥10,600 million (US$107.9 million) for investments in capital equipment and in the Development Business segment.

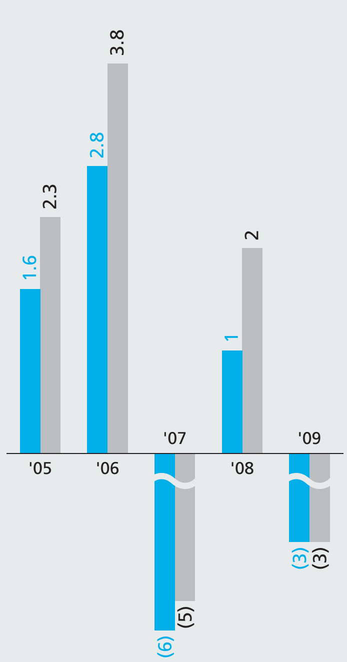
Free cash flow from combined operating and investing activities was a net positive ¥13,300 million (US$135.4 million). Cash flows from financing activities experienced a net decrease of ¥7,400 million (US$75.3 million) due mainly to decreasing interest-bearing debt.

Cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥38,300 million (US$389.9 million). As of the end of the current consolidated fiscal year, interest-bearing debt amounted to ¥105,100 million (US$1,069.9 million).

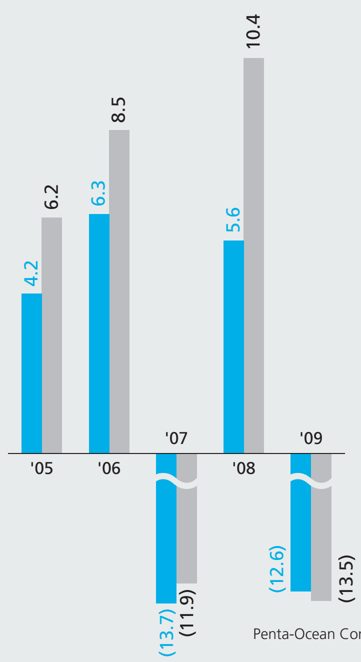
Dividends

While ordinary income of ¥7,000 million (US$71.3 million) was recorded during the current fiscal year, the Company also recorded extraordinary losses of ¥7,500 million (US$76.4 million), including a ¥5,700 million (US$58.0 million) loss on valuation of investment securities due to the rapid decline in the stock market. Net loss for the year amounted to ¥3,100 million (US$31.6 million). Accordingly, the Company has made the decision for a second consecutive year to not pay dividends in an effort to build stronger internal reserves.

Net Income (Loss)
Billions of yen



Net Income (Loss) per Share
yen



CONSOLIDATED BALANCE SHEETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Current assets:			
Cash and deposits	¥ 33,422	¥ 38,363	$ 390,543
Short-term investment securities (Notes 3 (4), 4 and 5)	102	94	957
Trade receivables:			
Notes	10,361	5,001	50,911
Accounts	145,523	153,524	1,562,903
Inventories: (Note 3 (7))			
Costs on uncompleted construction contracts	29,379	15,802	160,867
Real estate for sale and development projects in progress	12,741	22,614	230,215
Other	4,136	2,467	25,115
Deferred tax assets (Note 15)	8,018	7,084	72,117
Other	2,868	3,265	33,238
Allowance for doubtful accounts (Note 3 (6))	(1,161)	(1,125)	(11,453)
Total current assets	245,389	247,089	2,515,413
Investments and other assets:			
Investment securities (Notes 3 (4), 4 and 5)	14,464	13,014	132,485
Long-term loans receivables	3,988	526	5,355
Deferred tax assets (Note 15)	10,598	8,656	88,120
Other	10,556	15,424	157,019
Allowance for doubtful accounts (Note 3 (6))	(6,601)	(4,421)	(45,007)
Total investments and other assets	33,005	33,199	337,972
Property, plant and equipment: (Note 3 (8))			
Land (Note 5)	36,024	35,934	365,815
Buildings and structures (Note 5)	31,259	31,665	322,356
Machinery, equipment and vehicles	18,183	18,939	192,802
Dredgers and vessels	52,259	49,891	507,900
Construction in progress	124	46	468
Total property, plant and equipment	137,849	136,475	1,389,341
Less: accumulated depreciation	(76,578)	(77,732)	(791,326)
Property, plant and equipment - net	61,271	58,743	598,015
Other (Note 3 (10))	568	556	5,660
Total assets	¥340,233	¥339,587	$3,457,060

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Current liabilities:			
Short-term loans payable (Note 6)	¥ 32,237	**¥ 31,862**	**$ 324,361**
Current portion of long-term loans payable (Note 6)	30,952	**37,795**	**384,760**
Trade payable:			
Notes	30,785	**26,786**	**272,687**
Accounts	90,730	**98,353**	**1,001,252**
Advance received on uncompleted construction contracts	28,911	**25,467**	**259,259**
Deposits received	10,363	**13,411**	**136,527**
Income taxes payable	743	**784**	**7,981**
Provision for loss on construction contracts (Note 3 (12))	715	**618**	**6,292**
Provision for warranties for completed construction (Note 3 (13))	572	**602**	**6,128**
Other provision	1,679	**1,624**	**16,533**
Other	3,130	**2,848**	**28,993**
Total current liabilities	230,817	**240,150**	**2,444,773**
Noncurrent liabilities:			
Long-term loans payable (Note 6)	45,910	**35,515**	**361,549**
Provision for retirement benefits (Notes 3 (11) and 19)	1,109	**592**	**6,027**
Provision for directors' retirement benefits (Note 3 (14))	213	**172**	**1,751**
Provision for loss on development business (Note 3 (15))	0	**1,020**	**10,384**
Deferred tax liabilities for land revaluation (Note 17 (2))	7,216	**7,200**	**73,297**
Other	1,106	**1,110**	**11,300**
Total noncurrent liabilities	55,554	**45,609**	**464,308**
Total liabilities	286,371	**285,759**	**2,909,081**
Net assets: (Note 18)			
Shareholders' equity:			
Common stock	28,070	**28,070**	**285,758**
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2009 245,763,910 shares			
March 31, 2008 245,763,910 shares			
Capital surplus (Note 17 (1))	20,106	**20,106**	**204,683**
Retained Earnings	3,992	**678**	**6,902**
Less: Treasury Stock	(20)	**(22)**	**(224)**
Total shareholders' equity	52,148	**48,832**	**497,119**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities (Note 17 (3))	(1,973)	**(225)**	**(2,291)**
Deferred gains (losses) on hedges	(33)	**(30)**	**(305)**
Revaluation reserve for land (Note 17 (2))	3,539	**3,516**	**35,794**
Foreign currency translation adjustment (Note 3 (2))	170	**95**	**967**
Total valuation and translation adjustments	1,703	**3,356**	**34,165**
Minority interests	11	**1,639**	**16,685**
Total net assets	53,862	**53,827**	**547,969**
Total liabilities and net assets	¥340,233	**¥339,586**	**$3,457,050**
Commitments and contingent liabilities (Note 14)			

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2009

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Construction business:			
Net sales	¥337,476	¥384,824	$3,917,581
Cost of sales	312,523	357,283	3,637,209
Gross profit	24,953	27,541	280,372
Development business and other:			
Net sales	15,333	13,662	139,082
Cost of sales	13,758	12,327	125,491
Gross profit	1,575	1,335	13,591
Total:			
Total net sales	352,809	398,486	4,056,663
Total cost of sales	326,281	369,610	3,762,700
Total gross profit	26,528	28,876	293,963
Selling, general and administrative expenses	17,688	18,054	183,793
Operating income	8,840	10,822	110,170
Non-operating income:			
Interest and dividends	599	500	5,090
Other (Note 7)	455	395	4,021
	1,054	895	9,111
Non-operating expenses:			
Interest	2,993	3,094	31,498
Other (Note 8)	1,804	1,550	15,779
	4,797	4,644	47,277
Ordinary income	5,097	7,073	72,004
Extraordinary gain (Note 9)	3,476	1,061	10,801
Extraordinary loss (Note 10)	4,245	7,804	79,446
Income (loss) before income taxes and minority interests	4,328	330	3,359
Income taxes: (Notes 3 (19) and 15)			
Current	899	816	8,307
Deferred	874	2,862	29,136
	1,773	3,678	37,443
Minority interests	16	11	113
Net income (loss)	¥ 2,571	¥ (3,337)	$ (33,971)

Net income (loss) per share of common stock (Note 3 (16))	Yen		U.S. dollars
Primary	¥10.46	¥(13.58)	$(0.14)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2009

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury Stock	Total shareholders' equity
Balance at March 31, 2007	¥28,070	¥20,106	¥4,103	¥(15)	¥52,264
Changes of items during the period					
Net income (loss)			2,571		2,571
Reversal of revaluation reserve for land			(2,682)		(2,682)
Purchase of treasury stock				(5)	(5)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(111)	(5)	(116)
Balance at March 31, 2008	¥28,070	¥20,106	¥3,992	¥(20)	¥52,148

	Millions of yen						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total Valuation and translation adjustments	Minority interests	Total Net Assets
Balance at March 31, 2007	¥ 4,277	¥ (6)	¥ 857	¥189	¥5,317	¥25	¥57,606
Changes of items during the period							
Net income (loss)							2,571
Reversal of revaluation reserve for land							(2,682)
Purchase of treasury stock							(5)
Net changes of items other than shareholders' equity	(6,250)	(27)	2,682	(19)	(3,614)	(14)	(3,628)
Total changes of items during the period	(6,250)	(27)	2,682	(19)	(3,614)	(14)	(3,744)
Balance at March 31, 2008	¥(1,973)	¥(33)	¥3,539	¥170	¥1,703	¥11	¥53,862

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury Stock	Total shareholders' equity
Balance at March 31, 2008	¥28,070	¥20,106	¥3,992	¥(20)	¥52,148
Changes of items during the period					
Net income (loss)			(3,337)		(3,337)
Reversal of revaluation reserve for land			23		23
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(3,314)	(2)	(3,316)
Balance at March 31, 2009	¥28,070	¥20,106	¥ 678	¥(22)	¥48,832

	Millions of yen						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total Valuation and translation adjustments	Minority interests	Total Net Assets
Balance at March 31, 2008	¥(1,973)	¥(33)	¥3,539	¥170	¥1,703	¥ 11	¥53,862
Changes of items during the period							
Net income (loss)							(3,337)
Reversal of revaluation reserve for land							23
Purchase of treasury stock							(2)
Net changes of items other than shareholders' equity	1,748	3	(23)	(75)	1,653	1,628	3,281
Total changes of items during the period	1,748	3	(23)	(75)	1,653	1,628	(35)
Balance at March 31, 2009	¥ (225)	¥(30)	¥3,516	¥ 95	¥3,356	¥1,639	¥53,827

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury Stock	Total shareholders' equity
Balance at March 31, 2008	$285,758	$204,683	$40,639	$(204)	$530,876
Changes of items during the period					
Net income (loss)			(33,971)		(33,971)
Reversal of revaluation reserve for land			234		234
Purchase of treasury stock				(20)	(20)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(33,737)	(20)	(33,757)
Balance at March 31, 2009	$285,758	$204,683	$ 6,902	$(224)	$497,119

	Thousands of U.S. dollars						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total Valuation and translation adjustments	Minority interests	Total Net Assets
Balance at March 31, 2008	$(20,086)	$(336)	$36,028	$1,731	$17,337	$ 112	$548,325
Changes of items during the period							
Net income (loss)							(33,971)
Reversal of revaluation reserve for land							234
Purchase of treasury stock							(20)
Net changes of items other than shareholders' equity	17,795	31	(234)	(764)	16,828	16,573	33,401
Total changes of items during the period	17,795	31	(234)	(764)	16,828	16,573	(356)
Balance at March 31, 2009	$ (2,291)	$(305)	$35,794	$ 967	$34,165	$16,685	$547,969

CONSOLIDATED STATEMENTS OF CASH FLOWS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 4,328	**¥ 330**	**$ 3,359**
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,456	**4,697**	**47,816**
Impairment loss	736	**35**	**356**
Increase (decrease) in allowance for doubtful accounts	1,013	**(2,217)**	**(22,569)**
Increase (decrease) in provision for retirement benefits	(373)	**(517)**	**(5,263)**
Interest and dividends income	(599)	**(500)**	**(5,090)**
Interest expense	3,284	**3,340**	**34,002**
Foreign exchange losses (gains)	360	**913**	**9,295**
Equity in (earnings) losses of affiliates	7	**(4)**	**(41)**
Loss (gain) on sales of property, plant and equipment	(100)	**(580)**	**(5,905)**
Loss (gain) on sales of investment securities	(53)	**0**	**0**
Loss on valuation of securities and investment securities	28	**5,767**	**58,709**
Loss (gain) on securities contribution to employees' retirement benefits trust	(3,069)	**—**	**—**
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	(13,906)	**(8,355)**	**(85,055)**
Decrease (increase) in costs on uncompleted construction contracts	(600)	**13,572**	**138,166**
Decrease (increase) in real estate for sale and development projects in progress and other inventories	3,092	**2,086**	**21,236**
Increase (decrease) in notes and accounts payable-trade	5,233	**3,908**	**39,784**
Increase (decrease) in advances received on uncompleted construction contracts	(7,710)	**(3,431)**	**(34,928)**
Increase (decrease) in other provision	(191)	**869**	**8,847**
Other, net	(1,392)	**7,561**	**76,972**
Subtotal	(5,456)	**27,474**	**279,691**
Interest and dividends income received	594	**579**	**5,894**
Interest expenses paid	(3,174)	**(3,317)**	**(33,768)**
Income taxes paid	(1,112)	**(811)**	**(8,256)**
Net cash provided by (used in) operating activities	(9,148)	**23,925**	**243,561**
Cash flows from investing activities:			
Purchase of short-term investment securities	(3)	**(301)**	**(3,064)**
Proceeds from sales of short-term investment securities	103	**310**	**3,156**
Purchase of investment securities	(3,824)	**(2,847)**	**(28,983)**
Proceeds from sales of investment securities	35	**11**	**112**
Purchase of property, plant and equipment	(2,004)	**(2,499)**	**(25,440)**
Proceeds from sales of property, plant and equipment	1,304	**925**	**9,417**
Payments of loans receivable	(792)	**(1,179)**	**(12,002)**
Collection of loans receivable	666	**101**	**1,028**
Payments for acquisition of other securities of subsidiaries resulting in the change of consolidation scope	—	**(258)**	**(2,626)**
Payments for investment to development business	—	**(4,750)**	**(48,356)**
Other, net	(15)	**(120)**	**(1,223)**
Net cash provided by (used in) investing activities	(4,530)	**(10,607)**	**(107,981)**

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	22	**(3,275)**	**(33,340)**
Proceeds from long-term loans payable	30,246	**27,400**	**278,937**
Repayment of long-term loans payable	(31,633)	**(30,952)**	**(315,097)**
Cash dividends paid	(0)	**(0)**	**(0)**
Other, net	(389)	**(594)**	**(6,047)**
Net cash provided by (used in) financing activities	(1,754)	**(7,421)**	**(75,547)**
Effect of exchange rate change on cash and cash equivalents	(298)	**(954)**	**(9,712)**
Net increase (decrease) in cash and cash equivalents	(15,730)	**4,943**	**50,321**
Cash and cash equivalents at the beginning of the period	49,124	**33,394**	**339,957**
Cash and cash equivalents at the end of the period	¥33,394	**¥38,337**	**$390,278**
(Notes) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥33,422	**¥38,363**	**$390,543**
Less-Time deposits with maturity over three months	(28)	**(26)**	**(265)**
Cash and cash equivalents (Note 3 (17))	¥33,394	**¥38,337**	**$390,278**

(2) Breakdown of Assets and Liabilities for the company which became a new Subsidiary by obtaining equity

Breakdown of Assets and Liabilities, at the beginning of the consolidation, for the company which became a new Subsidiary and the relation between acquisition cost for this subsidiary's equity and "Payments for acquisition of other securities of subsidiaries resulting in the change of consolidation scope" are comprised as follows:

	Millions of yen 2009	Thousands of U.S. dollars 2009
Current Assets	**¥6,207**	**$63,184**
Current Liabilities	**(3,713)**	**(37,801)**
Minority Interests	**(1,647)**	**(16,763)**
Subtotal	**847**	**8,620**
Balance of equity on Consolidated BS when this company was affiliated company before becoming subsidiary	**(246)**	**(2,501)**
Acquisition cost for additional equity	**601**	**6,119**
Cash and cash equivalents of new Subsidiary	**(343)**	**(3,493)**
Deduction: Payments for acquisition of other securities of subsidiaries resulting in the change of consolidation scope	**258**	**2,626**

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of 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=¥98.23, the exchange rate prevailing on March 31, 2009. 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-seven subsidiaries and three affiliated companies at March 31, 2009.

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

(2) Consolidation date

Consolidation date is March 31.

Closing date for the Company, eleven domestic subsidiaries and seven overseas subsidiaries including Penta-Ocean Dredging Panama is March 31.

Closing date for other eight overseas subsidiaries is December 31.The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were made for any material difference incurred between the closing date and the consolidation date.

Also the closing date for one domestic subsidiary is November 30 and the financial statements for this subsidiary were temporarily made based on the consolidation date.

(3) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of subsidiaries are recorded at fair value upon acquisition. The difference between fair value and book value is allocated to Net assets.

(4) Good will and Negative good will

Good will and Negative good will are amortized over five years by the straight-line method.

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 cash are converted into yen at the exchange rate prevailing on the closing 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 closing date, securities for purpose of sales and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition of the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition of the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustment in Net assets.

(3) Recognition of contract revenue

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total cost (= cost proportion method) shall be applied.
For other construction projects, the completed-contract method shall be applied.

(Change of accounting method-2009)

The Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However since Accounting Standard Board of Japan Statement No.15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No.18 "Guidance on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the current fiscal year and for the construction contracts commencing from the current fiscal year, the percentage-of-completion method shall be applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method shall be applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, Net sales has increased by ¥18,031 million and operating income, ordinary income and income before income taxes and minority interests increased by ¥1,220 million compare with previous accounting method.

Advances received in excess of revenue recognized based on the percentage-of-completion method are shown as current liabilities. Cost of uncompleted contracts is included in inventories.

The financial impact of this change on each segment is described in 20. Segment information.

(4) Investment 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 Net assets as valuation difference on available-for-sale securities, and cost of sales are determined by the moving average method.

Other investment 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 accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual doubtful account losses to general credits and the individual estimated amount to any specific uncollectible receivables.

(7) Inventories

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

In the case that the net realizable value falls below the historical cost at the end of the period, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(8) Property, plant, equipment and Depreciation (Excluding Leased Assets)

Property, plant and equipment are stated at cost and for the Company and domestic subsidiaries depreciation is calculated using the declining balance method, except for buildings (other than equipment fixed inside buildings) acquired on and 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.

The Company and domestic subsidiaries primarily use the number of useful lives and the residual value in accordance with the Corporation tax law.

(Change of accounting method-2008)

The Company and domestic subsidiaries have changed their depreciation method for fixed assets acquired on and after April 1, 2007 based on amendment in Corporation tax law.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests decreased by ¥94 million. The financial impact of this change on each segment is described in 20. Segment information.

(Additional information-2008)

Pursuant to amendment in Corporation tax law, for fixed assets acquired prior to March 31, 2007 and depreciated to 5 % of acquisition cost, the Company and domestic subsidiaries depreciated the remaining cost on a straight-line basis over five years stipulated by the Corporation tax law.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests decreased by ¥195 million. The financial impact of this change on each segment is described in 20. Segment information.

(9) Leased Assets

For Leased Assets with Finance lease that transfer ownership, the depreciation expense shall be calculated based on the same depreciation method as is applied to fixed assets owned by the Company and subsidiaries.

For Leased Assets with Finance lease that do not transfer ownership, the depreciation expense shall be calculated under the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(Change of accounting method-2009)

Leased Assets with Finance lease that do not transfer ownership were previously accounted for in a manner similar to accounting treatment for ordinary rental transactions, however from the current fiscal year, Accounting Standard Board of Japan Statement No.13 "Accounting Standard for Lease Transactions" and Accounting Standard Board of Japan Guidance No.16 "Guidance on Accounting Standard for Lease Transactions" both revised on March 30, 2007 have been adopted and the transactions are accounted for in a similar manner with ordinary sale and purchase transactions.

For lease transactions whose commencement day falls prior to the first year of implementation of this accounting standard, the method similar to that used for ordinary operating lease transactions shall continue to be used.

The effect of this change to operating income, ordinary income and income before income taxes was not material.

(10) Research and development costs, and computer software

Research and development costs are charged to income as incurred.

Computer software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life.

(11) Provision for retirement benefits

The Company has a defined benefit pension plan and a lump-sum severance indemnity plan and the domestic consolidated subsidiaries have a lump-sum severance indemnity plan, as a retirement benefit plan. And further, in some cases, a special additional retirement payment is made to employees.

In addition, the Company has established the financial trust to cover retirement benefit obligations for employees.

The overseas consolidated subsidiaries do not have a retirement benefit plan.

Provision for retirement benefits is provided for on an accrual basis based on the estimated amounts of retirement benefit obligations and pension fund assets at end of the fiscal year.

Effects of 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 by the straight-line method over the average remaining employees' service years, which should be within 10 years and its amortization starts in the next year of the respective accrual years.

(12) Provision for loss on construction contracts

The Company provides provision for future losses from construction contracts outstanding at fiscal year-end.

(13) Provision for warranties for completed construction

The Company provides provision for the costs of repairs for damages related to completed construction works based on business results in the past in consideration of estimated amount of compensation in the future.

(14) Provision for directors' retirement benefits

Some subsidiaries provide provision for retirement pay equal to the amount required if all directors and statutory auditors retired on the closing date.

(Additional information-2008)

The Company terminated a retirement benefit plan for directors including operating officers in June 2007.

The amount granted prior to the termination date was transferred to other noncurrent liabilities.

(15) Provision for loss on development business

The Company provides provision for accrued estimated losses on development business of subsidiaries and affiliates by considering contents and business plans and other aspects for each subsidiary and affiliates.

(16) Net income per share

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

Net income per share assuming full dilution is not presented because there were no potential stocks as of March 31, 2009.

(17) Cash and cash equivalents

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

(18) Hedge accounting

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

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

Hedged items are interest on bank loans and monetary 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's Bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluates the effectiveness of hedging.

(19) 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 7.6 percent on taxable income after certain adjustments, and (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax. Enterprise tax paid 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 taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(20) Reclassifications

Certain amounts in prior year's consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

4. Investment securities

The composition of securities as of March 31, 2008 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Securities due within one year:			
Held-to-maturity bonds	¥ 1	**¥ 1**	**$ 10**
Investment trust bills	101	**93**	**947**
Total	¥ 102	**¥ 94**	**$ 957**
Investment securities:			
Held-to-maturity bonds	¥ 68	**¥ 69**	**$ 702**
Investment trust bills	135	**183**	**1,863**
Stocks	13,811	**12,762**	**129,920**
Other	450	**—**	**—**
Total	¥14,464	**¥13,014**	**$132,485**

5. Pledged Assets

(1) The following assets are pledged for fulfillment of construction contracts at March 31, 2008 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Securities	¥ 1	**¥ 1**	**$ 10**
Investment securities	411	**179**	**1,822**
Total	¥412	**¥180**	**$1,832**

(2) The following assets are in pledge to short-term bank loans at March 31, 2008 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Real estate for sale and development projects in progress (Trust beneficiary right)	¥ —	**¥4,685**	**$47,694**
Land	67	**67**	**682**
Buildings	98	**96**	**977**
Total	¥165	**¥4,848**	**$49,353**

6. Short-term and long-term loans payable

Short-term loans are represented primarily in the form of overdraft facility notes. The weighted average interest rates for the two fiscal years ended March 31, 2009 are 1.65% and 1.74%, respectively. Long-term loans as of March 31, 2008 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Long-term loans from banks and insurance companies maturing in 2013	¥76,862	**¥73,310**	**$746,310**
(The weighted average interest rate is 3.20%.)			
Less: current portion of long-term loans	(30,952)	**(37,795)**	**(384,760)**
Net	¥45,910	**¥35,515**	**$361,550**

The aggregate annual maturity of long-term loans after March 31, 2009 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Year ending March 31,		
2010	**¥37,795**	**$384,760**
2011	**19,488**	**198,392**
2012	**10,717**	**109,101**
2013	**4,214**	**42,899**
2014 and after that	**1,097**	**11,168**
Total	**¥73,310**	**$746,310**

7. Non-operating income

The composition of Non-operating income - other for the two years ended March 31, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Real estate rent	¥199	¥ 75	$ 763
Equity in earnings of affiliates	—	4	41
Other	256	316	3,217
Total	¥455	¥395	$4,021

8. Non-operating expenses

The composition of Non-operating expenses - other for the two years ended March 31, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Equity in losses of affiliates	¥ 7	¥ —	$ —
Foreign exchange losses	1316	640	6,515
Other	481	910	9,264
Total	¥1,804	¥1,550	$15,779

9. Extraordinary gain

The composition of Extraordinary gain for the two years ended March 31, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Gain on prior period adjustment	¥ 153	¥ 26	$ 265
Gain on sales of noncurrent assets	140	603	6,139
Gain on insurance adjustment	0	122	1,242
Gain on securities contribution to employees' retirement benefits trust	3,069	—	—
Reversal of allowance for doubtful accounts	42	220	2,239
Other	72	90	916
Total	¥3,476	¥1,061	$10,801

10. Extraordinary loss

The composition of Extraordinary loss for the two years ended March 31, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Loss on prior period adjustment	¥ 451	¥ 41	$ 417
Loss on valuation of investment securities	28	5,767	58,709
Impairment loss ＊1	736	35	356
Loss on development business	—	1,020	10,384
Provision of allowance for doubtful accounts	2,633	653	6,648
Other	397	288	2,932
Total	¥4,245	¥7,804	$79,446

＊1 The Company recognized impairment loss for the following group of assets in the current fiscal year ended March 31, 2009

Location	Classification	Impairment loss
Hokkaido area	Lease assets (1 object)	Land ¥23 million ($231 thousand)
Kanto area	Common assets (1 object)	Land ¥10 million ($108 thousand)
Chubu area	Common assets (1 object)	Land and others ¥2 million ($19 thousand)

The Company and consolidated subsidiaries classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously.

Book values of above assets were written down to recoverable amounts with following reasons.

The Assets previously being classified as lease assets were written down due to assets being changed to idling status from this Financial Year. The Assets previously being classified as common assets such as welfare facilities were written down due to decision to sell the assets and no alternative investment plan exists.

The impairment loss (¥35 million (U.S.$355 thousand)) has been accounted for as the extraordinary loss.

The recoverable amounts related to the idle assets and common assets were measured by net realizable amounts based on the estimated contract amounts or the land value assessed for tax purposes.

11. Research and development costs

Research and development costs charged to income for the two fiscal years ended March 31, 2009 are ¥927 million and ¥940 million (U.S. $9,569 thousand), respectively.

12. Summary of finance lease transactions

The Company has entered into finance lease contracts on and before March 31, 2008. The finance lease transactions other than those where a title is transferred to the lessee are summarized as follows:

(1) Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and estimated value of assets leased by the Company are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Estimated acquisition costs			
Equipment	¥339	**¥111**	**$1,130**
Vehicles	53	**36**	**366**
	392	**147**	**1,496**
Less: accumulated depreciation	(250)	**(68)**	**(692)**
Less: accumulated impairment loss	(25)	**—**	**—**
Estimated value	¥117	**¥ 79**	**$ 804**

(2) Future lease payments and accumulated impairment loss on leased assets as of March 31, 2008 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Within one year	¥ 52	**¥31**	**$316**
Over one year	82	**50**	**509**
Total	¥134	**¥81**	**$825**
Accumulated impairment loss on leased assets	¥ 14	**¥ —**	**$ —**

(3) Lease payments, reversal of accumulated impairment loss on leased assets, depreciation equivalents, interest expenses equivalents and impairment loss for the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Lease payments	¥62	**¥53**	**$540**
Reversal of accumulated impairment loss on leased assets	11	**14**	**143**
Depreciation equivalents	57	**49**	**499**
Interest expense equivalents	3	**2**	**20**
Impairment loss	25	**—**	**—**

13. Derivative financial transactions

(1) Matters concerning derivative financial transactions

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

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the Bylaw, which clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

Hedge accounting is applied for all derivative financial transactions for the year ended March 31, 2008 and 2009 and accordingly fair value information is waived.

14. Commitments and contingent liabilities

As of March 31, 2009, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥1,631 million (U.S. $16,604 thousand).

The Company also has the guarantee amounting to ¥548 million (U.S. $5,579 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 30 banks totaling ¥36,000 million for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2009.

15. Tax effect accounting

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

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets			
Net operating loss carried forward	¥ 9,292	¥ 7,816	$ 79,569
Loss on valuation of real estate for sale	4,902	5,090	51,817
Allowance for doubtful accounts	1,792	995	10,129
Employees' retirement benefits trust	1,664	1,712	17,428
Provision for bonuses	685	662	6,739
Impairment loss	528	586	5,966
Provision for retirement benefits	307	240	2,443
Other	2,893	4,060	41,332
Total: deferred tax assets	22,063	21,161	215,423
Less : valuation allowance	(3,387)	(5,084)	(51,756)
Deferred tax assets	¥18,676	¥16,077	$163,667
Deferred tax liabilities			
Prepaid pension cost	¥ —	¥ (274)	$ (2,789)
Reduction for amendment of allowance for doubtful accounts	(17)	(13)	(132)
Other	(43)	(49)	(499)
Total: deferred tax liabilities	(60)	(336)	(3,420)
Net: deferred tax assets	¥18,616	¥15,741	$160,247

2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rate after application of tax-effect accounting

For the year ended March 31, 2008, a reconciliation is not disclosed because the difference is less than 5% of the statutory effective tax rate (40.69%).

	2009
The statutory effective tax rate	40.69%
(Adjustments)	
Permanent differences (expense)	276.29%
Permanent differences (income)	(136.43%)
Per capita levy on inhabitant tax	101.32%
Consolidated adjustments	100.81%
Increase in valuation allowance	783.54%
Other	(52.27%)
Actual burden tax rate after the application of tax effect accounting	1113.95%

16. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with sales and purchases, except for tax-free transactions. Consumption tax is eliminated from sales and purchases stated in the statements of income.

17. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of common stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

The Company revaluated lands used for business purposes on March 31, 2000 based on the Law concerning Land Revaluation (Law No.34, promulgated on March 31, 1998) and on the partial revision of the Law concerning Land Revaluation (Law No.24, promulgated on March 31, 1999). Relating to revaluation excess, the amounts corresponding to deferred tax on the tax effect accounting are accounted for as a long-term deferred tax liabilities and its remains are accounted for as revaluation reserve for land constituting net assets.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥(12,271)	¥(10,765)	$(109,590)

Fair values were determined on the basis of Article 2 No.4 and 5 of an Enforcement ordinance No.119 of the Law concerning Land Revaluation promulgated on March 31, 1998.

(3) Valuation difference on available-for-sale securities

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31. This amounted to ¥225 million (U.S. $2,291 thousand) loss as of March 31, 2009.

(4) Restriction of dividends

It is regulated by the Japanese Corporate Law that the unrealized valuation difference from assets evaluated by fair value is not available for payment of dividends.

18. Authorized shares

The Articles of Incorporation provides that if retirement of shares is carried out, the corresponding number of shares must be deducted from authorized shares.

19. Retirement benefits

I. Retirement benefits obligations

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
a. Retirement benefit obligations	¥(34,260)	**¥(32,189)**	**$(327,690)**
b. Pension fund assets	20,948	**17,343**	**176,555**
c. Unfunded retirement benefit obligations	(13,312)	**(14,846)**	**(151,135)**
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	9,112	**7,810**	**79,507**
e. Unrecognized actuarial gain or loss	3,443	**7,118**	**72,463**
f. Net retirement benefit obligations	(757)	**82**	**835**
g. Prepaid pension cost	352	**674**	**6,862**
h. Provision for retirement benefits	¥ (1,109)	**¥ (592)**	**$ (6,027)**

II. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
a. Service costs	¥1,284	**¥1,162**	**$11,829**
b. Interest costs	715	**677**	**6,892**
c. Expected return on pension fund assets	(655)	**(733)**	**(7,462)**
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302	**1,302**	**13,255**
e. Amortization of actuarial gain or loss	490	**798**	**8,124**
f. Recognition of prior service liabilities	117	**—**	**—**
g. Retirement benefit costs	¥3,253	**¥3,206**	**$32,638**

III. Calculation basis of retirement benefit obligations, etc.

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	2.10%
c. Expected return rate on pension fund assets	3.50%
d. Recognition term of prior service liabilities	Fully recognized as incurred
e. Amortization term of actuarial gain or loss	Actuarial gains or losses are amortized by the straight-line method over the average remaining employees' service years from the next year of the respective accrual years (almost 10 years)
f. Amortization term of effects of the application of the new accounting standards for retirement benefits	15 years

20. Segment information

(1) Business segment

Business segment is primarily composed of the followings:

Construction	Civil engineering, construction, etc.
Development business	Sale or rental of real estate
Others	Sale of construction materials, leasing, shipbuilding, etc.

	Millions of yen					
Year ended March 31, 2008	Construction	Development business	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥337,476	¥ 4,436	¥10,897	¥352,809	¥ —	¥352,809
Internal sales or transfer	68	189	7,441	7,698	(7,698)	—
Total	337,544	4,625	18,338	360,507	(7,698)	352,809
Operating expenses	329,574	4,996	17,133	351,703	(7,734)	343,969
Operating income	7,970	(371)	1,205	8,804	36	8,840
Assets	262,035	23,171	21,911	307,117	33,116	340,233
Depreciation	2,527	23	1,940	4,490	(34)	4,456
Impairment loss	438	—	298	736	—	736
Capital expenditures	1,538	—	576	2,114	—	2,114

	Millions of yen					
Year ended March 31, 2009	Construction	Development business	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥384,824	¥ 1,209	¥12,453	¥398,486	¥ —	¥398,486
Internal sales or transfer	161	266	7,633	8,060	(8,060)	—
Total	384,985	1,475	20,086	406,546	(8,060)	398,486
Operating expenses	374,809	1,876	19,043	395,728	(8,064)	387,664
Operating income (loss)	10,176	(401)	1,043	10,818	4	10,822
Assets	251,278	30,346	19,289	300,913	38,674	339,587
Depreciation	2,760	17	1,946	4,723	(26)	4,697
Impairment loss	25	—	10	35	—	35
Capital expenditures	2,128	—	511	2,639	—	2,639

	Thousands of U.S. dollars					
Year ended March 31, 2009	Construction	Development business	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$3,917,581	$ 12,308	$126,774	$4,056,663	$ —	$4,056,663
Internal sales or transfer	1,639	2,708	77,705	82,052	(82,052)	—
Total	3,919,220	15,016	204,479	4,138,715	(82,052)	4,056,663
Operating expenses	3,815,627	19,098	193,861	4,028,586	(82,093)	3,946,493
Operating income (loss)	103,593	(4,082)	10,618	110,129	41	110,170
Assets	2,558,058	308,928	196,366	3,063,352	393,708	3,457,060
Depreciation	28,097	173	19,811	48,081	(265)	47,816
Impairment loss	255	—	102	357	—	357
Capital expenditures	21,663	—	5,202	26,865	—	26,865

Notes

(1) All operating expenses are allocated to the respective segments.

Assets which could not be allocated relate to the general administration division in the head office of the Company and subsidiaries and amount to¥33,581 million at March 31, 2008 and ¥39,260 million (U.S. $399,674 thousand) at March 31, 2009.

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

(2) Change of Accounting Method-2008

As described in 3. Summary of significant accounting policies (8), the Company and domestic subsidiaries have changed their depreciation method for fixed assets acquired on and after April 1, 2007 based on amendment in Corporation tax law.

As a result of this change, in Construction segment, operating expenses has increased by ¥88 million and operating income has decreased by ¥88 million, in Others segment, operating expense has increased by ¥6 million and operating income has decreased by ¥6 million compared with previous accounting method.

Change of Accounting Method-2009

As described in 3.Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However since Accounting Standard Board of Japan Statement No.15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No.18 "Guidance on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the current fiscal year and for the construction contracts commencing from the current fiscal year, the percentage-of-completion method shall be applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method shall be applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, in Construction segment, net sales has increased by ¥15,166 million (U.S. $154,394 thousand) and operating income has increased by ¥946 million (U.S. $9,638 thousand), in Other segment, net sales has increased by ¥2,864 million (U.S. $29,166 thousand) and operating income has increased by ¥273 million (U.S. $2,785 thousand) compared with previous accounting method.

(2) Geographic segment

Geographic segment is primarily composed of the followings:

Japan
Southeast Asia .... Singapore, Hong Kong and Vietnam
Others .... U.A.E and Sri Lanka

	Millions of yen					
Year ended March 31, 2008	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥297,863	¥45,654	¥ 9,292	¥352,809	¥ —	¥352,809
Internal sales or transfer	—	—	—	—	—	—
Total	297,863	45,654	9,292	352,809	—	352,809
Operating expenses	290,444	44,386	9,149	343,979	(10)	343,969
Operating income	7,419	1,268	143	8,830	10	8,840
Assets	255,671	38,776	12,216	306,663	33,570	340,233

Year ended March 31, 2009	Millions of yen					
	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥313,997	¥77,240	¥7,249	¥398,486	¥ —	¥398,486
Internal sales or transfer	—	—	—	—	—	—
Total	313,997	77,240	7,249	398,486	—	398,486
Operating expenses	305,433	74,686	7,555	387,674	(10)	387,664
Operating income	8,564	2,554	(306)	10,812	10	10,822
Assets	241,681	53,307	5,340	300,328	39,259	339,587

Year ended March 31, 2009	Thousands of U.S. dollars					
	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$3,196,549	$786,318	$73,796	$4,056,663	$ —	$4,056,663
Internal sales or transfer	—	—	—	—	—	—
Total	3,196,549	786,318	73,796	4,056,663	—	4,056,663
Operating expenses	3,109,366	760,318	76,911	3,946,595	(102)	3,946,493
Operating income	87,183	26,000	(3,115)	110,068	102	110,170
Assets	2,460,358	542,675	54,362	3,057,395	399,665	3,457,060

Notes

(1) All operating expenses are allocated to the respective segments.

Assets which could not be allocated relate to the general administration division in the head office of the Company and subsidiaries and amount to¥33,581 million at March 31, 2008 and ¥39,260 million (U.S. $399,674 thousand) at March 31, 2009.

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

(2) Change of Accounting Method-2008

As described in 3. Summary of significant accounting policies (8), the Company and domestic subsidiaries have changed their depreciation method for fixed assets acquired on and after April 1, 2007 based on amendment in Corporation tax law.

As a result of this change, in Japan Segment, operating expenses has increased by ¥49 million and operating income has decreased by ¥49 million, in Southeast Asia Segment, operating expense has increased by ¥26 million and operating income has decreased by ¥26 million and in Others Segment, operating expense has increased by ¥18 million and operating income has decreased by ¥18 million compared with previous accounting method.

Change of Accounting Method-2009

As described in 3.Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However since Accounting Standard Board of Japan Statement No.15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No.18 "Guidance on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the current fiscal year and for the construction contracts commencing from the current fiscal year, the percentage-of-completion method shall be applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method shall be applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, in Japan Segment, net sales has increased by ¥16,654 million (U.S. $169,548 thousand) and operating income has increased by ¥1,321 million (U.S. $13,450 thousand), in Others Segment, net sales has increased by ¥1,376 million (U.S. $14,012 thousand) and operating income has decreased by ¥100 million (U.S. $1,026 thousand) compared with previous accounting method.

(3) Overseas sales

Year ended March 31, 2008	Millions of yen		
	Southeast Asia	Others	Total
Overseas sales	¥45,654	¥9,292	¥ 54,946
Consolidated sales			¥352,809
Proportion of overseas sales to consolidated sales	12.9%	2.6%	15.6%

Year ended March 31, 2009	Millions of yen		
	Southeast Asia	Others	Total
Overseas sales	¥77,240	¥7,249	¥ 84,849
Consolidated sales			¥398,486
Proportion of overseas sales to consolidated sales	19.4%	1.8%	21.2%

Year ended March 31, 2009	Thousands of U.S. dollars		
	Southeast Asia	Others	Total
Overseas sales	$786,318	$73,796	$ 860,114
Consolidated sales			$4,056,663
Proportion of overseas sales to consolidated sales	19.4%	1.8%	21.2%

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 and Vietnam

Others .... U.A.E and Sri Lanka

Change of Accounting Method-2009

As described in 3.Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However since Accounting Standard Board of Japan Statement No.15 “Accounting Standard for Construction Contracts” and Accounting Standard Board of Japan Guidance No.18 “Guidance on Accounting Standard for Construction Contracts” both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the current fiscal year and for the construction contracts commencing from the current fiscal year, the percentage-of-completion method shall be applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method shall be applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, Overseas sales for Others has increased by ¥1,376 million (U.S. $14,012 thousand), and Overseas Sales Total has increased by ¥1,376 million (U.S. $14,012 thousand) compare with previous accounting method.

21. Related party transactions

For the year ended March 31, 2008

None

For the year ended March 31, 2009

None

22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2008	**2009**	**2009**
Net assets per share	¥219.19	**¥212.43**	**$2.16**
Net income (loss) per share	10.46	**(13.58)**	**(0.14)**
Diluted net income per share	—	**—**	**—**

2. For the year ended March 31, 2008, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none.

For the year ended March 31, 2009, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none and net loss per share is recorded.

23. Significant subsequent event

For the year ended March 31, 2008

None

For the year ended March 31, 2009

The Company's client, Joint Corporation Co,Ltd., has applied for Corporate Reorganization Law to Tokyo District Court on May 29, 2009 and the application has been accepted.

The Company's amount of claim to this company was ¥20 million on the same date.

In the next fiscal year, the Company will book the allowance for doubtful account to the uncollectible amount of the claim.

Currently the Company has two on going construction projects for Joint Corporation and the amounts of the sales of the projects have not been fixed.

Regarding these construction projects, the Company shall take necessary actions to preserve these project claims.

Report of Independent Auditors

The Board of Directors
PENTA-OCEAN CONSTRUCTION CO., LTD.

We have audited the accompanying consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information
As described in Note 3 (3), effective the year ended March 31, 2009, the Company adopted a new accounting standard for the construction contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. 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.

June 26, 2009

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

Non-Consolidated Five-year Summary

Penta-Ocean Construction Co., Ltd.
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Orders received	¥326,909	¥276,497	¥347,389	¥375,945	**¥317,829**	**$3,235,559**
Civil engineering	197,567	135,405	149,595	205,839	**194,839**	**1,983,498**
Architectural engineering	126,542	139,057	193,416	167,756	**121,212**	**1,233,961**
Development business and other	2,800	2,035	4,378	2,350	**1,778**	**18,100**
Net sales	317,359	318,960	289,270	317,856	**366,553**	**3,731,579**
Civil engineering	158,300	171,437	152,937	167,482	**201,705**	**2,053,395**
Architectural engineering	156,360	142,864	134,636	145,045	**163,653**	**1,666,019**
Development business and other	2,699	4,659	1,697	5,329	**1,195**	**12,165**
Contract backlog	391,032	356,623	420,384	474,371	**406,042**	**4,133,584**
Civil engineering	275,937	246,554	248,469	283,685	**262,343**	**2,670,701**
Architectural engineering	112,172	109,771	168,935	190,686	**143,116**	**1,456,948**
Development business and other	2,923	298	2,980	0	**583**	**5,935**
Total assets	384,089	356,148	321,606	307,211	**308,078**	**3,136,292**
Net assets	45,574	63,772	53,574	48,710	**47,339**	**481,920**
Ordinary income	7,649	9,585	466	3,081	**7,081**	**72,086**
Income (loss) before income taxes	7,811	7,786	(13,503)	2,810	**66**	**672**
Net income (loss)	1,616	2,855	(6,744)	1,390	**(3,116)**	**(31,721)**
Cash dividends	—	—	—	—	**—**	**—**

Per share of common stock:	Yen					U.S. dollars
Net assets	¥115.33	¥129.77	¥109.02	¥198.26	**¥192.69**	**$1.96**
Net income (loss)	4.28	6.31	(13.72)	5.66	**(12.68)**	**(0.13)**
Cash dividends	—	—	—	—	**—**	**—**
Number of employees	2,965	2,880	2,838	2,778	**2,731**	

Notes:
1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥98.23 per U.S.$1, prevailing on March 31, 2009.

NON-CONSOLIDATED BALANCE SHEETS

Penta-Ocean Construction Co., Ltd.
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Current assets:			
Cash and deposits	¥ 24,960	**¥ 32,078**	**$ 326,560**
Short-term investment securities	102	**95**	**967**
Trade receivables:			
Notes	8,405	**3,085**	**31,406**
Accounts	137,554	**144,798**	**1,474,071**
Subsidiaries and affiliates	4,712	**4,308**	**43,856**
Inventories:			
Costs on uncompleted construction contracts	26,668	**14,601**	**148,641**
Real estate for sale and development projects in progress	11,842	**16,033**	**163,219**
Raw materials and supplies	833	**1,077**	**10,964**
Deferred tax assets	7,818	**6,786**	**69,083**
Other	2,360	**2,667**	**27,150**
Allowance for doubtful accounts	(981)	**(923)**	**(9,396)**
Total current assets	224,273	**224,605**	**2,286,521**
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	1,602	**2,502**	**25,471**
Investment securities	14,287	**12,841**	**130,723**
Long-term loans receivable	3,571	**143**	**1,456**
Deferred tax assets	10,167	**8,319**	**84,689**
Other	10,074	**14,857**	**151,247**
Allowance for doubtful accounts	(6,340)	**(4,046)**	**(41,189)**
Total investments and other assets	33,361	**34,616**	**352,397**
Property, plant and equipment:			
Land	34,267	**34,323**	**349,415**
Buildings and structures	29,249	**29,518**	**300,499**
Machinery, equipment and vehicles	13,117	**13,972**	**142,238**
Dredgers and vessels	25,198	**24,094**	**245,281**
Construction in progress	101	**45**	**458**
Other	—	**58**	**590**
Total property, plant and equipment	101,932	**102,010**	**1,038,481**
Less: Accumulated depreciation	(52,860)	**(53,654)**	**(546,208)**
Property, plant and equipment - net	49,072	**48,356**	**492,273**
Other:	505	**501**	**5,101**
Total assets	¥307,211	**¥308,078**	**$3,136,292**

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Current liabilities:			
Short-term loans payable			
Bank	¥ 30,113	¥ 26,960	$ 274,458
Current portion of long-term loans payable	29,837	31,662	322,325
Trade payable:			
Notes	20,192	17,660	179,782
Accounts	83,595	91,466	931,141
Subsidiaries and affiliates	6,388	7,739	78,784
Advance received on uncompleted construction contracts	24,986	23,508	239,316
Deposits received	10,046	12,587	128,138
Income taxes payable	397	343	3,492
Provision for loss on construction contracts	672	450	4,581
Provision for warranties for completed construction	546	565	5,752
Other provision	1,431	1,400	14,252
Other	2,189	1,979	20,147
Total current liabilities	210,392	216,319	2,202,168
Noncurrent liabilities:			
Long-term loans payable	39,697	35,435	360,735
Provision for retirement benefits	713	221	2,250
Deferred tax liabilities for land revaluation	7,216	7,200	73,297
Other	483	1,564	15,922
Total noncurrent liabilities	48,109	44,420	452,204
Total liabilities	258,501	260,739	2,654,372
Net assets:			
Capital stock	28,070	28,070	285,758
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2009 245,763,910 shares			
March 31, 2008 245,763,910 shares			
Capital surplus			
Legal capital surplus	10,000	10,000	101,802
Other capital surplus	10,106	10,106	102,881
Total capital surplus	20,106	20,106	204,683
Retained earnings			
General reserve	—	—	—
Retained Earnings brought forward	(1,006)	(4,099)	(41,729)
Total retained earnings	(1,006)	(4,099)	(41,729)
Less: Treasury stock	(20)	(22)	(224)
Valuation difference on available-for-sale securities	(1,972)	(223)	(2,270)
Deferred gains (losses) on hedges	(7)	(9)	(92)
Revaluation reserve for land	3,539	3,516	35,794
Total net assets	48,710	47,339	481,920
Total liabilities and net assets	¥307,211	¥308,078	$3,136,292

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Penta-Ocean Construction Co., Ltd.
For the two years ended March 31, 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Construction business:			
Net sales	¥312,527	**¥365,358**	**$3,719,414**
Cost of sales	289,297	**339,140**	**3,452,509**
Gross profit	23,230	**26,218**	**266,905**
Development business and other:			
Net sales	5,329	**1,195**	**12,165**
Cost of sales	5,864	**1,514**	**15,413**
Gross profit (loss)	(535)	**(319)**	**(3,248)**
Total:			
Total net sales	317,856	**366,553**	**3,731,579**
Total cost of sales	295,161	**340,654**	**3,467,922**
Total gross profit	22,695	**25,899**	**263,657**
Selling, general and administrative expenses	15,915	**16,204**	**164,960**
Operating income	6,780	**9,695**	**98,697**
Non-operating income:			
Interest and dividends income	566	**483**	**4,917**
Interest and dividends income from subsidiaries and affiliates	69	**1,055**	**10,740**
Other	367	**315**	**3,207**
	1,002	**1,853**	**18,864**
Non-operating expenses:			
Interest expenses	2,996	**3,103**	**31,589**
Other	1,705	**1,364**	**13,886**
	4,701	**4,467**	**45,475**
Ordinary income	3,081	**7,081**	**72,086**
Extraordinary gain	3,280	**530**	**5,396**
Extraordinary loss	3,551	**7,545**	**76,810**
Income before income taxes	2,810	**66**	**672**
Income taxes:			
Current	364	**317**	**3,227**
Deferred	1,056	**2,865**	**29,166**
	1,420	**3,182**	**32,393**
Net income (loss)	¥ 1,390	**¥ (3,116)**	**$ (31,721)**

Net income (loss) per share of common stock

	Yen		U.S. dollars
Primary	¥5.66	**¥(12.68)**	**$(0.13)**
Assuming full dilution	—	**—**	**—**

COMPANY DATA

(As of March 31, 2009)

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 Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥28,070 million (US$280.2 million)
Employees	2,731
Website	www.penta-ocean.co.jp

Board of Directors and Auditors (As of March 31, 2009)

President and Representative Director

Yoshio Murashige

Representative Directors

Kazuyuki Kawakami Hayuru Tsuda

Directors

Kiyoshi Ida Kosuke Kondo Yoshihisa Takimoto
Masafumi Saito Kunihiko Sasaki Yoshihisa Tomoda

Corporate Auditors

Hirosuke Kawamoto Kaoru Kurokawa Takaaki Komatsu
Masatami Sasano

Penta-Ocean Construction Group

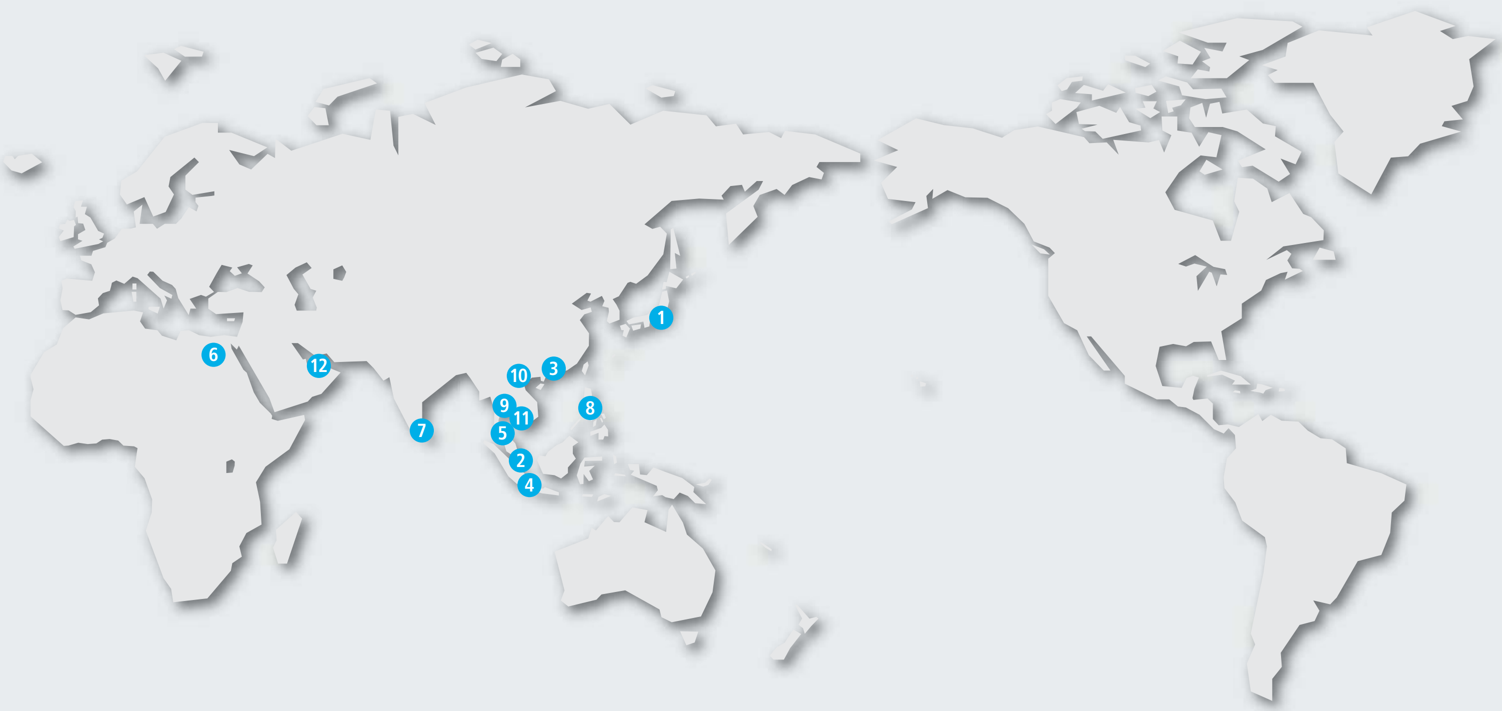
Consolidated Subsidiaries

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Obama Marine Co., Ltd.	Nagasaki, Japan
Coast Creation General Corporation Aggregate	Tokyo, Japan
New port development LLC	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japab
Domi Environmental Solutions	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Siam Goyo Co., Ltd.	Thailand
Thai Penta-Ocean Co., Ltd.	Thailand
Penta-Ocean Construction (Hong Kong) Ltd.	Hong Kong
Nicosia Co., Ltd.	Hong Kong
Brichwood Co., Ltd.	Hong Kong
Penta-Ocean Dredging Panama Inc.	Panama
Cosmo Transport Panama Inc.	Panama
Gloria transport Inc.	Panama
Reina Del Mar Transport Inc.	Panama
Vient Del Mar Transport Inc.	Panama
Belleza Del Mar Transport Inc.	Panama
Sol Del Mar Transport Inc.	Panama
Angkutlaut Ltd.	Malaysia
Penta-Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Consolidated Affiliats

Jiwat Co., Ltd.	Miyagi, Japan
Haneda Airport International Airline Apron PFI	Tokyo, Japan
Miyajima Aquq Partners Co., Ltd.	Hiroshima, Japan
Matsuyama Environmental Technology Co., Ltd.	Ehime, Japan

Penta-Ocean Construction Network



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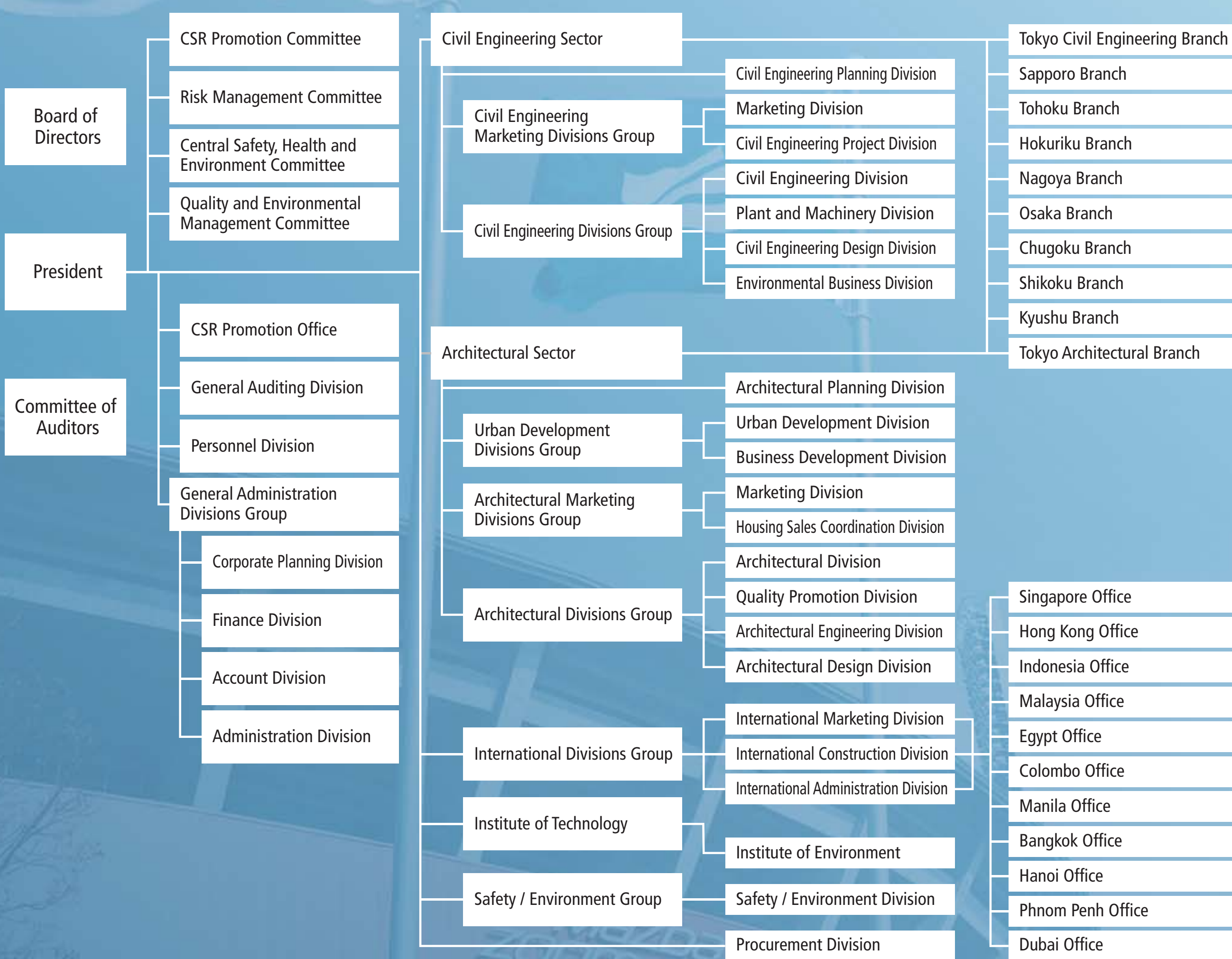
Tel: 84-4-824-1360 Fax: 84-4-824-1444

⓫ PHNOM PENH OFFICE
P. O. Box 2422, Phnom Penh III, No. F20, France Street, Norodom
Road, Borei Chamkamorn, Khan Chamkamorn, Phnom Penh,
Cambodia
Tel: 855-23-360463 Fax: 855-23-360462

⓬ DUBAI OFFICE
P.O. Box 118791, #612, Al Khaleej Centre, Bur Dubai, Dubai,
U.A.E.
Tel: 971-4-359-8677 Fax: 971-4-359-8678

Organization Chart

(As of April 1, 2009)



Investor Information

(As of March 31, 2009)

Fiscal Year March 31 of each year

Common Stock Authorized: 599,135,000
Issued: 245,763,910

Stock Listing First Section, Tokyo Osaka Nagoya Stock Exchange

Shareholders 47,658

Transfer Agency Mizuho Trust & Banking Co., Ltd.
2-8-4, Izumi, Suginami-ku,
Tokyo 168-8507, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Japan Trustee Service Bank, Ltd. (Trust Account 4G)	10,880	4.4
Japan Trustee Service Bank, Ltd. (Trust Account)	10,335	4.2
The Master Trust Bank of Japan (Trust Account)	7,062	2.9
Mizuho Corporate Bank, Ltd.	7,059	2.9
Meiji Yasuda Life Insurance Co.	6,656	2.7
Sompo Japan Insurance Inc.	6,113	2.5
Japan Trustee Service Bank, Ltd. (Trust Account 4G)	5,483	2.2
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.6
Penta-Ocean Employee Stock Ownership Plan	3,744	1.5
Mizuho Trust & Banking Co., Ltd.	3,470	1.4

PENTA-OCEAN CONSTRUCTION CO.,LTD. 五洋建設

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