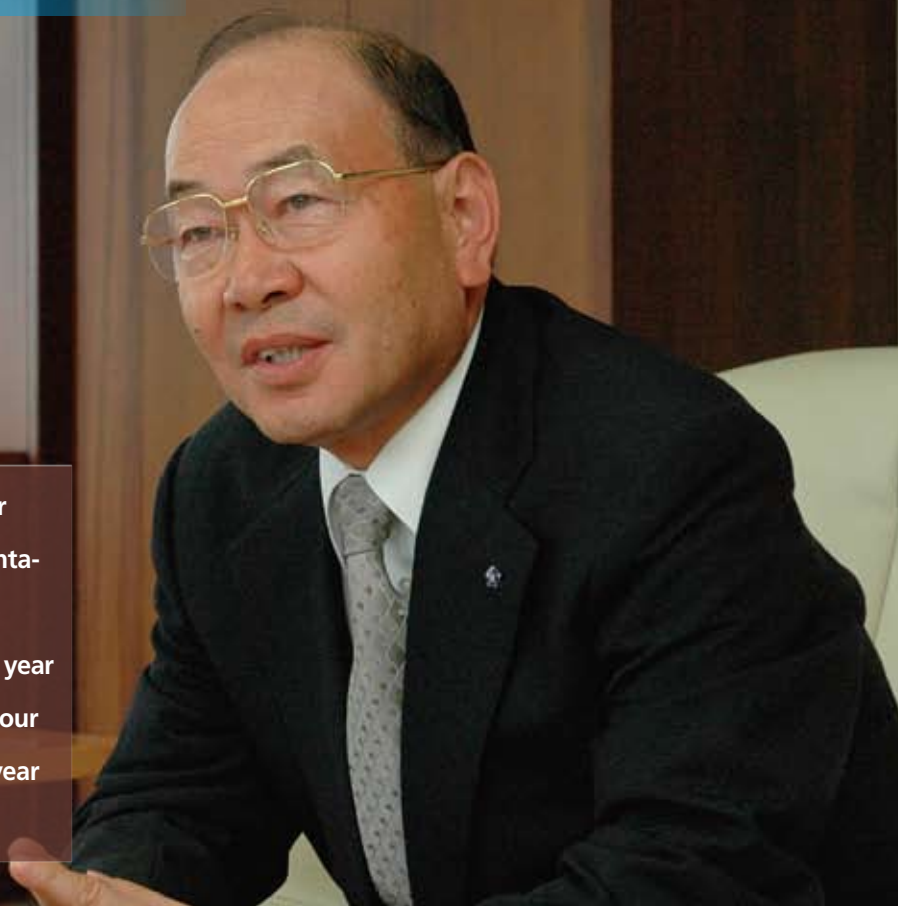


I would like to express my sincere gratitude to our shareholders for their constant support of the Penta-Ocean Construction Group. The following report provides an overview of our business in the fiscal year ended March 2011 (Our 60th business term), and our forecast for the construction market in the fiscal year ending March 2012.



In the fiscal year ended March 2011, a pickup fueled by recovering exports and production had become evident in certain sectors of the Japanese economy. However, corporate manufacturing activity, people's livelihoods and infrastructure throughout extensive areas of eastern Japan have been profoundly affected by the Great East Japan Earthquake.

Conditions were severe in the domestic construction industry, as public works investment, including spending under Japan's national budget, declined. And in spite of signs of a rebound in metropolitan areas, residential investment overall remained at low levels. Improved corporate earnings had set the stage for a rebound in private-sector capital investment, but a slump resulting from the earthquake is now unavoidable. Overseas, meanwhile, construction in the Group's key overseas market of Southeast Asia was robust, primarily in the area of social infrastructure development.

In this business climate, the Penta-Ocean Construction Group set a goal of achieving further growth as the "No. 1 contractor in coastal and waterfront areas." Positioning our technological capabilities as our competitive strength, we aimed to improve quality and worked vigorously to secure both orders received and profits. As a result, consolidated net sales amounted to ¥302,256 million (US\$3,635.1 million), a decrease of 6.9% year-on-year, operating income was ¥9,782 million (US\$117.6 million), a decrease of 9.4% year-on-year, and ordinary income came to ¥7,431 million (US\$89.4 million), a decrease of 3.9% year-on-year. We recorded an extraordinary loss of ¥3,111 million (US\$37.4 million) on factors including an impairment loss of ¥1,158 million (US\$13.9 million) and a disaster loss of ¥1,019 million (US\$12.3 million), but net income ultimately amounted to ¥2,163 million (US\$26.0 million), an increase of 23.8% year-on-year.

Elsewhere, the Company raised ¥4,726 million (US\$56.8 million) through a public share offering in January 2011. The goal was to secure funds for the construction of multi-purpose self-navigable vessels so that the Company might sustain and improve upon its competitive strengths in marine civil engineering, one of its specialty fields.

With respect to the domestic construction market in the fiscal year ending March 2012, the demand in the private sector is expected to gradually recover from the effects of the earthquake, but this is likely to take some time. As far as public works projects are concerned, we anticipate the steady implementation of major projects related to strategic international ports and remote islands in which the Penta-Ocean Group can utilize its strengths, in spite of Japan's tight public finances.

Additionally, our forecast is for strong economic growth to continue supporting brisk infrastructure development and the construction of medical and educational facilities in Singapore, Hong Kong and other parts of Southeast Asia.

"A spirit of accepting challenges that never varies, even as times change, and the power of flexible self-innovation to respond to the needs of each new era" are encoded in the Penta-Ocean Group's DNA. We will never settle for the status quo and will keep our sights firmly set on going further to enhance our corporate value and continually advance, step by step, as a corporate group.

August 2011

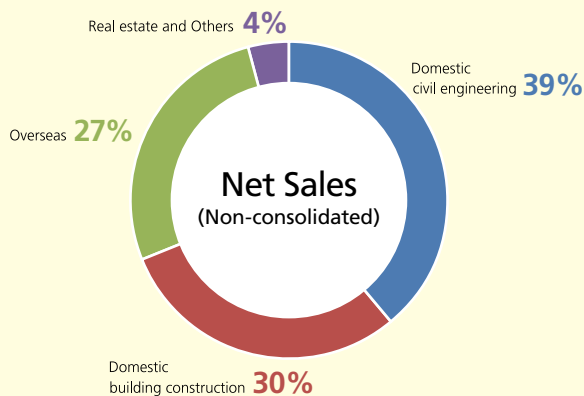
Yoshio Murashige,
President and Representative Director

Questions and Answers with President Murashige

Q What is the net sales breakdown for the fiscal year ended March 2011?

A Construction projects make up the overwhelming majority of our net sales, accounting for approximately 96%. Revenues from real estate development, shipbuilding and sales of finished goods, which account for the bulk of business labeled "Real Estate and Others," account for approximately 4%.

In the fiscal year ended March 2011, net sales from domestic and overseas construction surpassed the previous year's figure, but net sales from domestic civil engineering works fell significantly short of the amount recorded in the previous year. As a result, consolidated net sales amounted to ¥302.3 billion, a decrease of ¥22.5 billion (6.9% decline) year-on-year. The decline in full-year revenues from domestic civil engineering works reflected the fact that large-scale ocean construction projects came to completion in the first half of the year, and balances carried on land-based construction projects decreased.



Q The Company has been reducing its interest-bearing debt in an effort to strengthen its financial standing. What are your specific targets?

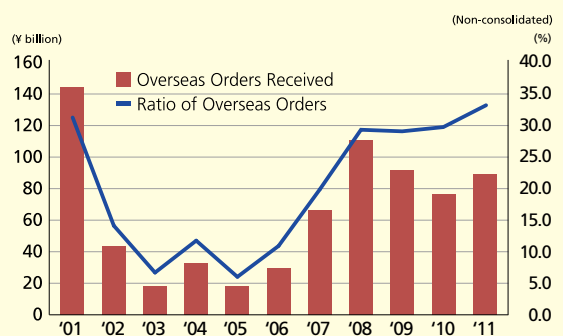
A Our aim, on a consolidated basis, is to bring our interest-bearing debt balance to ¥67.2 billion or less and our D/E ratio to 1.0 or less at the end of the fiscal year ending March 2014.

Both in Japan and overseas, Penta-Ocean's core business lies in marine civil engineering works, which necessitates capital investment in specialized equipment such as large-scale dredgers and soil improvement vessels. We carry out a large portion of our capital investment using loans from financial institutions, so our interest-bearing debt level is high relative to total assets. Improving our financial health by reducing our interest-bearing debt and

Q Overseas orders received have been strong for the past several years. Does Penta-Ocean plan to continue proactively pursuing overseas expansion?

A As is the case with our other businesses, we put the greatest priority on securing profits in our international operations. Our target in the short to medium term is 20-25% of total orders received from overseas.

Penta-Ocean's overseas expansion began in 1957 when we provided technical service for the Goa Port in India, and we have over 50 years of experience in international projects. Starting from the 1960s and '70s, our company was involved in numerous large-scale construction projects, including improvements to the Suez Canal and land reclamation projects in Singapore. At present, we have offices in Singapore and Hong Kong, and in recent years we have been developing a new base in Vietnam. Orders received have been solid for several years, but in the end our top priority is securing profit. In April 2011 we constructed our new World Operations Center, which will comprehensively handle inquiries and management of matters ranging from tenders to construction, and work to eliminate risk and ensure profit.



strengthening our capital base is a matter of the utmost urgency. We will continue our efforts to reduce interest-bearing debt in order to achieve a robust financial constitution. As for specific targets, on a consolidated basis, our goal at the end of the fiscal year ending March 2014 is an interest-bearing debt balance of ¥67.2 billion or less and a D/E Ratio of 1.0 or less.

