

# Summary of Consolidated Financial Results in the Third Quarter of the Fiscal Year Ending March 2007

February 13, 2007

The following statements are an English-language translation of the summary of original Japanese-language document.  
(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of listed company: **Penta-Ocean Construction Co., Ltd**

Stock exchange: **Tokyo, Osaka, Nagoya**

Code number: **1893**

Head office: **Tokyo**

(URL: <http://www.penta-ocean.co.jp/>)

Representative

Title: **Chief Executive Officer**

Name: **Yoshio Murashige**

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Tel: **03-3817-7618**

## 1. Regarding the Preparation of Quarterly Financial Information

(1) Use of Simplified Accounting Procedures : Yes

Simplified methods are employed in calculation of income taxes using annual effective tax rates and in some other items with little influence on overall accounting.

(2) Changes in Accounting Procedures from the Most Recent Consolidated Fiscal Year : Yes

LOCM Method are early adopted from this interim term according to the "Accounting Standards for Measurement of Inventories" -ASBJ Statement No. 9 (2006.7.5)

Consequently, gross profit declined 198 million yen compared with the previous consolidated fiscal year, while the operating loss and the ordinary loss both increased 198 million yen, based on the assumption that the same method is used. The loss before income taxes and minority interests for the third quarter rose 8,154 million yen.

(3) Changes in the Scope of Consolidation or Application of the Equity Method : Yes

· One company was excluded from the consolidated subsidiaries.

· One company was excluded from the equity method companies.

## 2. Summary of Third Quarter Financial Results for the Year Ending March 2007

(April 1, 2006 - December 31, 2006)

(1) Progress in Consolidated Operating Results

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
3Q FY2006	198,793	2.7	(1,530)	-	(3,005)	-	(9,220)	-
(Ref.) 3Q FY2005	193,645	-	3,150	-	1,651	-	(671)	-
(Ref.) FY ended March 31, 2006	354,657		14,176		11,341		3,875	

	Net income (loss) per share	Net income per share (after full dilution)
	(Yen)	(Yen)
3Q FY2006	(18.76)	-
(Ref.) 3Q FY2005	(1.53)	-
(Ref.) FY ended March 31, 2006	8.57	-

Notes : Percentage for net sales, operating income, ordinary income, indicate changes from the previous corresponding term. Summary of Third Quarter Financial Results has only been disclosed since the third quarter for the year ending March 2007. Net sales and Income for the previous third quarter are indicated as reference.

(2) Changes in Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
3Q FY2006	363,265	56,615	15.6	115.11
(Ref.) 3Q FY2005	-	-	-	-
(Ref.) FY ended March 31, 2006	389,366	66,891	17.2	136.12

## 3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2007

(April 1, 2006-March 31, 2007)

	Net sales	Ordinary income (loss)	Net income (loss)
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Entire term	317,000	3,000	(6,000)

Reference: Estimated earnings per share (yen, fiscal 2006) : (12.21)

Notes : The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecast due to factor including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

## 1. Summary of Consolidated Balance Sheets

(Millions of yen)

	3Q FY2006 (As of Dec. 31, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of total	Amount	% of total
<b>ASSETS</b>				
<b>I Current assets</b>				
Cash and deposits	40,530		64,873	
Notes and accounts receivable	95,494		108,409	
Contract works in progress	60,847		36,173	
Real estate for sale and real estate in progress	22,491		36,458	
Other receivables	17,201		22,138	
Other current assets	17,314		10,683	
Allowance for doubtful accounts	(676)		(1,038)	
<b>Total current assets</b>	253,204	69.7	277,698	71.3
<b>II Fixed assets</b>				
1. Tangible fixed assets:				
Land	35,326		36,017	
Other tangible assets	29,975		31,954	
Net tangible fixed assets	65,302		67,971	
2. Intangible fixed assets	578		532	
3. Investments and other assets				
Investment Securities	27,637		29,102	
Other investment and other assets	22,092		19,751	
Allowance for doubtful accounts	(5,550)		(5,689)	
Total investments and other assets	44,180		43,164	
<b>Total fixed assets</b>	110,060	30.3	111,668	28.7
<b>Total assets</b>	363,265	100.0	389,366	100.0

(Millions of yen)

	3Q FY2006 (As of Dec. 31, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of total	Amount	% of total
<b>LIABILITIES</b>				
<b>I Current liabilities:</b>				
Notes and account payable	100,386		110,201	
Short-term loans	65,999		80,704	
Advances received on uncompleted contracts	47,843		32,184	
Reserve for job warranty costs	1,501		2,713	
Other current liabilities	19,625		22,791	
<b>Total current liabilities</b>	235,356	64.8	248,594	63.8
<b>II Long-term liabilities</b>				
Long-term loans	53,173		54,995	
Deferred tax liabilities for land revaluation excess	7,259		7,274	
Reserve for retirement benefits	6,631		6,751	
Reserve for directors' retirement bonuses	415		451	
Other long-term liability	3,813		4,400	
<b>Total long-term liabilities</b>	71,293	19.6	73,872	19.0
<b>Total liabilities</b>	306,649	84.4	322,466	82.8
<b>Minority interests</b>	-	-	8	0.0
<b>SHAREHOLDERS' EQUITY</b>				
<b>I Common stock</b>	-	-	28,070	7.2
<b>II Capital surplus</b>	-	-	20,106	5.2
<b>III Retained earnings</b>	-	-	9,939	2.6
<b>IV Land revaluation excess</b>	-	-	879	0.2
<b>V Net unrealized holding gains (loss) on securities</b>	-	-	7,724	2.0
<b>VI Foreign currency translation adjustments</b>	-	-	185	0.0
<b>VII Treasury stock, at cost</b>	-	-	(13)	(0.0)
<b>Total shareholders' equity</b>	-	-	66,891	17.2
<b>Total liabilities and shareholders' equity</b>	-	-	389,366	100.0
<b>NET ASSETS</b>				
<b>I Shareholders' Equity</b>				
1 Common stock	28,070	7.7		
2 Capital surplus	20,106	5.6		
3 Retained earnings	740	0.2		
4 Treasury stock, at cost	(14)	(0.0)		
<b>Total shareholders' equity</b>	48,902	13.5		
<b>II Revaluation and translation adjustments</b>				
1 Unrealized gain on securities	6,664	1.8		
2 Gain (loss) on deferred hedge	(44)	(0.0)		
3 Land revaluation excess	857	0.2		
4 Foreign currency translation adjustments	186	0.1		
<b>Total revaluation and translation adjustments</b>	7,664	2.1		
<b>III Minority interests</b>	49	0.0		
<b>Total net assets</b>	56,615	15.6		
<b>Total liabilities, and net assets</b>	363,265	100.0		

## 2. Summary of Consolidated Statements of Income

(Millions of yen)

	3Q FY2006 (Apr. 1, 2006 - Dec. 31, 2006)		FY2005 (Apr. 1, 2005 - Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
I Net sales:				
Construction business	190,711		338,842	
Real estate and others	8,081		15,814	
<b>Total net sale</b>	198,793	100.0	354,657	100.0
II Cost of sales:				
Construction business	178,476		305,346	
Real estate and others	7,333		15,051	
<b>Total cost of sales</b>	185,809	93.5	320,398	90.3
Gross profit				
Construction business	12,235		33,495	
Real estate and others	748		762	
<b>Total gross profit</b>	12,983	6.5	34,258	9.7
III Selling, general and administrative expenses:	14,514	7.3	20,081	5.7
<b>Operating income (loss)</b>	(1,530)	(0.8)	14,176	4.0
IV Non-operating income:	1,094	0.6	1,790	0.5
V Non-operating expenses:	2,569	1.3	4,626	1.3
<b>Ordinary income (loss)</b>	(3,005)	(1.5)	11,341	3.2
VI Extraordinary gain:	642	0.3	388	0.1
VII Extraordinary loss:	14,932	7.5	1,710	0.5
<b>Income (loss) before income taxes</b>	(17,294)	(8.7)	10,019	2.8
Tax expenses	(8,113)	(4.1)	6,141	1.7
Minority interests	(39)	(0.0)	(1)	(0.0)
<b>Net income (loss)</b>	(9,220)	(4.6)	3,875	1.1

(Reference Data)

## Summary of Non-Consolidated Financial Results in the Third Quarter of the Fiscal Year Ending March 2007

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Code number: **1893**

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Representative

Title: **Chief Executive Officer**

Name: **Yoshio Murashige**

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Tel: **03-3817-7618**

### 1. Regarding the Preparation of Quarterly Financial Information

(1) Use of Simplified Accounting Procedures : Yes

Simplified methods are employed in calculation of income taxes using annual effective tax rates and in some other items with little influence on overall accounting.

(2) Changes in Accounting Procedures from the Most Recent Consolidated Fiscal Year : Yes

LOCM Method are early adopted from this interim term according to the "Accounting Standards for Measurement of Inventories" -ASBJ Statement No. 9 (2006.7.5)

Consequently, gross profit declined 197 million yen compared with the previous consolidated fiscal year, while the operating loss and the ordinary loss both increased 197 million yen, based on the assumption that the same method is used. The loss before income taxes and minority interests for the third quarter rose 8,103 million yen.

### 2. Summary of Third Quarter Financial Results for the Year Ending March 2007

(April 1, 2006 - December 31, 2006)

(1) Progress in Non-Consolidated Operating Results

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
3Q FY2006	179,351	3.6	(1,861)	-	(3,580)	-	(9,572)	-
(Ref.) 3Q FY2005	173,176	-	2,421	-	325	-	(1,616)	-
(Ref.) FY ended March 31, 2006	318,959		12,598		9,584		2,855	

	Net income (loss) per share	Net income per share (after full dilution)
	(Yen)	(Yen)
3Q FY2006	(19.48)	-
(Ref.) 3Q FY2005	(3.67)	-
(Ref.) FY ended March 31, 2006	6.31	-

Notes : Percentage for net sales, operating income, ordinary income, indicate changes from the previous corresponding term. Summary of Third Quarter Financial Results has only been disclosed since the third quarter for the year ending March 2007. Net sales and Income for the previous first quarter are indicated as reference.

(2) Changes in Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
3Q FY2006	331,310	53,106	16.0	108.07
(Ref.) 3Q FY2005	-	-	-	-
(Ref.) FY ended March 31, 2006	356,147	63,771	17.9	129.77

### 3. Non-Consolidated Financial Forecast for Fiscal Year Ending March 31, 2007

(April 1, 2006-March 31, 2007)

	Net sales	Ordinary income (loss)	Net income (loss)
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Entire term	282,000	2,000	(6,500)

Reference: Estimated earnings per share (yen, fiscal 2006) : (13.23)

There is not a change in the financial forecast announced on November 16, 2006.

Notes : The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecast due to factor including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

**(Reference) Non-Consolidated Financial Statement****1. Summary of Balance Sheets**

(Millions of yen)

	3Q FY2006 (As of Dec. 31, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
<b>ASSETS</b>				
<b>I Current assets</b>				
Cash and deposits	34,952		58,063	
Notes receivable	10,602		6,206	
Accounts receivable	80,434		95,791	
Real estate for trade	10,847		13,634	
Cost of uncompleted contracts	51,451		29,436	
Real estate in progress	10,473		21,548	
Raw materials and supplies	616		536	
Other receivables	17,565		22,606	
Other current assets	18,955		12,606	
Allowance for doubtful accounts	(505)		(838)	
<b>Total current assets</b>	235,394	71.0	259,592	72.9
<b>II Fixed assets</b>				
1. Tangible fixed assets:				
Land	33,375		34,065	
Other tangible assets	17,001		17,670	
Net tangible fixed assets	50,377		51,735	
2. Intangible fixed assets	511		473	
3. Investments and other assets				
Investment Securities	28,573		30,019	
Long-term loans receivable	4,378		5,604	
Impaired loan	5,680		5,837	
Other	11,921		8,521	
Allowance for doubtful accounts	(5,528)		(5,637)	
Total investment and other assets	45,027		44,345	
<b>Total fixed assets</b>	95,915	29.0	96,554	27.1
<b>Total assets</b>	331,310	100.0	356,147	100.0

(Millions of yen)

	3Q FY2006 (As of Dec. 31, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
<b>LIABILITIES</b>				
<b>I Current liabilities:</b>				
Notes payable	24,969		25,327	
Account payable	65,454		77,146	
Short-term loans	64,735		77,396	
Advances received on uncompleted contracts	41,429		27,648	
Reserve for job warranty costs	1,333		2,402	
Other current liabilities	17,802		18,190	
<b>Total current liabilities</b>	<b>215,725</b>	<b>65.1</b>	<b>228,110</b>	<b>64.1</b>
<b>II Long-term liabilities</b>				
Long-term loans	45,303		46,449	
Deferred tax liabilities for land revaluation excess	7,259		7,274	
Reserve for retirement benefits	6,368		6,515	
Reserve for directors' retirement bonuses	153		207	
Provision for loss on real estate development business of affiliates	72		72	
Other long-term liabilities	3,322		3,747	
<b>Total long-term liabilities</b>	<b>62,478</b>	<b>18.9</b>	<b>64,264</b>	<b>18.0</b>
<b>Total liabilities</b>	<b>278,203</b>	<b>84.0</b>	<b>292,375</b>	<b>82.1</b>
<b>SHAREHOLDERS' EQUITY</b>				
<b>I Common stock</b>	-	-	28,070	7.9
<b>II Capital surplus</b>				
1 Capital surplus	-		10,000	
2 Other capital surplus	-		10,106	
<b>Total capital surplus</b>	-	-	20,106	5.6
<b>III Retained earnings</b>				
1 Voluntary reserve	-		4,000	
2 Retained earnings for entire term	-		3,008	
<b>Total retained earnings</b>	-	-	7,008	2.0
<b>IV Land revaluation excess</b>	-	-	879	0.2
<b>V Net unrealized holding gains (loss) on securities</b>	-	-	7,720	2.2
<b>VI Treasury stock, at cost</b>	-	-	(13)	(0.0)
<b>Total shareholders' equity</b>	-	-	63,771	17.9
<b>Total liabilities and shareholders' equity</b>	-	-	356,147	100.0
<b>NET ASSETS</b>				
<b>I Shareholders' Equity</b>				
1 Common stock	28,070	8.5		
2 Capital surplus				
Capital surplus	10,000			
Other capital surplus	10,106			
<b>Total capital surplus</b>	<b>20,106</b>	<b>6.1</b>		
3 Retained earnings				
Voluntary reserve	4,000			
Retained earnings for entire term	(6,541)			
<b>Total retained earnings</b>	<b>(2,541)</b>	<b>(0.8)</b>		
4 Treasury stock, at cost	(14)	(0.0)		
<b>Total shareholders' equity</b>	<b>45,620</b>	<b>13.8</b>		
<b>II Revaluation and translation adjustments</b>				
1 Unrealized gain on securities	6,672	2.0		
2 Gain (loss) on deferred hedge	(44)	(0.0)		
3 Land revaluation excess	857	0.2		
<b>Total revaluation and translation adjustments</b>	<b>7,485</b>	<b>2.2</b>		
<b>Total net assets</b>	<b>53,106</b>	<b>16.0</b>		
<b>Total liabilities, and net assets</b>	<b>331,310</b>	<b>100.0</b>		

## 2. Summary of Non-Consolidated Statements of Income

(Millions of yen)

	3Q FY2006 (Apr. 1, 2006 - Dec. 31, 2006)		FY2005 (Apr. 1, 2005 - Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
I Net sales:				
Construction business	177,991		314,300	
Real estate and others	1,359		4,659	
<b>Total net sale</b>	179,351	100.0	318,959	100.0
II Cost of sales				
Construction business	166,698		283,402	
Real estate and others	1,342		4,804	
<b>Total cost of sales</b>	168,041	93.7	288,207	90.4
Gross profit				
Construction business	11,292		30,897	
Real estate and others (loss)	17		(145)	
<b>Total gross profit</b>	11,309	6.3	30,752	9.6
III Selling, general and administrative expenses:	13,171	7.3	18,154	5.7
<b>Operating income (loss)</b>	(1,861)	(1.0)	12,598	3.9
IV Non-operating income:	874	0.5	1,244	0.4
V Non-operating expenses:	2,593	1.5	4,257	1.3
<b>Ordinary income (loss)</b>	(3,580)	(2.0)	9,584	3.0
VI Extraordinary gain:	542	0.3	348	0.1
VII Extraordinary loss:	14,833	8.3	2,147	0.7
<b>Income (loss) before income taxes</b>	(17,871)	(10.0)	7,785	2.4
Tax expenses	(8,299)	(4.7)	4,930	1.5
<b>Net income (loss)</b>	(9,572)	(5.3)	2,855	0.9



#### 4. Non-Consolidated Orders Received

(1) Orders Received for the Third Quarter Ended December 31, 2006 (April 1, 2006 - December 31, 2006)

	Orders Received	
	(Millions of yen)	(%)
3Q FY2006	238,824	8.6
3Q FY2005	219,888	7.5

Notes: The amount is the total until the quarter concerned

Percentage indication shows the ratio increase and decrease rate for the same quarter of the previous fiscal year.

(Reference) Details of Orders Received

(Millions of yen)

	3Q FY2006 (Apr. 1, 2006 - Dec. 31, 2006)		3Q FY2005 (Apr. 1, 2005 - Dec. 31, 2005)		Increase (Decrease)	
	Amount	Constitution ratio for the total	Amount	Constitution ratio for the total	Amount	Rate
Public works	42,848	17.9 %	68,664	31.2 %	(25,816)	(37.6) %
Private works	30,949	13.0 %	23,358	10.6 %	7,591	32.5 %
<b>Domestic civil engineering</b>	<b>73,798</b>	<b>30.9 %</b>	<b>92,023</b>	<b>41.9 %</b>	<b>(18,224)</b>	<b>(19.8) %</b>
Public works	2,090	0.9 %	8,472	3.9 %	(6,382)	(75.3) %
Private works	100,759	42.2 %	96,647	44.0 %	4,111	4.3 %
<b>Domestic building construction</b>	<b>102,849</b>	<b>43.1 %</b>	<b>105,120</b>	<b>47.8 %</b>	<b>(2,270)</b>	<b>(2.2) %</b>
Civil engineering	21,473	9.0 %	17,794	8.1 %	3,679	20.7 %
Building construction	39,273	16.4 %	3,377	1.5 %	35,896	1,062.9 %
<b>Overseas</b>	<b>60,747</b>	<b>25.4 %</b>	<b>21,171</b>	<b>9.6 %</b>	<b>39,575</b>	<b>186.9 %</b>
<b>Construction Total</b>	<b>237,395</b>	<b>99.4 %</b>	<b>218,315</b>	<b>99.3 %</b>	<b>19,079</b>	<b>8.7 %</b>
<b>Real estate and Others</b>	<b>1,428</b>	<b>0.6 %</b>	<b>1,572</b>	<b>0.7 %</b>	<b>(143)</b>	<b>(9.1) %</b>
<b>Total</b>	<b>238,824</b>	<b>100.0 %</b>	<b>219,888</b>	<b>100.0 %</b>	<b>18,936</b>	<b>8.6 %</b>

(2) Forecast of Non-Consolidated Orders Received for the Fiscal Year Ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Entire term	
	(Millions of yen)	(%)
FY2006 (forecast)	312,000	13.7
FY2005	274,461	(15.3)

Notes : % is the ratio for the result of the previous fiscal year.

Real estate and Others is not included in the amount.