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

Consolidated Summary

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Orders received	¥406,995	**¥480,699**	**$3,879,734**
Construction	406,995	**480,699**	**3,879,734**
Real estate development	—	**—**	**—**
Others	—	**—**	**—**
Net sales	463,952	**440,141**	**3,552,390**
Construction	436,910	**428,367**	**3,457,361**
Real estate development	17,283	**5,844**	**47,167**
Others	9,759	**5,930**	**47,862**
Contract backlog	486,989	**545,246**	**4,400,694**
Construction	486,989	**545,246**	**4,400,694**
Real estate development	—	**—**	**—**
Others	—	**—**	**—**
Total assets	510,665	**497,114**	**4,012,220**
Shareholders' equity	46,110	**51,715**	**417,393**
Ordinary income	8,824	**10,494**	**84,698**
Income (Loss) before income taxes	(19,054)	**9,436**	**76,158**
Net income (loss)	(13,395)	**3,179**	**25,658**
Cash dividend	904	**1,807**	**14,584**

	Yen		U.S. dollars
Per share of common stock:			
Shareholders' equity	¥128	**¥143**	**$1.15**
Net income (loss)	(37.06)	**8.80**	**0.07**
Cash dividend	2.50	**5.00**	**0.04**
Number of employees	4,176	**4,114**	

Note: The amounts of orders received and contract backlog related to real estate development and other business are not included in the summary, because they were too small to have material effect on total amounts. U.S.$1=¥123.90 as at March 31, 2001.

Business Performance

In the domestic construction market, the principal area of business for Penta-Ocean's subsidiaries and affiliates, the number and size of public works projects continued to decrease, due primarily to the increasingly stringent monetary restraints of regional governments. Although private sector investment in housing declined from the previous term's level, capital investment increased, primarily in the manufacturing. Owing to these and other factors, investment in construction projects remained unchanged from the previous term.

In Southeast Asia, the Group's primary area of overseas operations, local economies continued to rebound steadily from the economic slump caused by the currency crisis of a few years ago. Correspondingly, investment in construction continued to rise.

In these circumstances, consolidated net sales amounted to ¥440,141 million (US$3,552 million), decreasing 5.1% from the previous term. Consolidated ordinary income, however, increased by 18.9% over the level in the previous term to ¥10,494 million (US$84.6 million). Consolidated net income, which had recorded a loss for the previous two consecutive terms, rebounded to ¥3,179 million (US$25.6 million) in the term under review.

Segment Information

When examining the Company's consolidated financial results by business segment, construction accounted for the largest contribution to revenues. In fiscal 2000, however, sales for this segment declined by 2.0% cumulatively for the domestic and overseas markets, to ¥428,369 million (US$3,457 million). Operating income also decreased year-on-year, by 21.8% to ¥12,562 million (US$101 million)

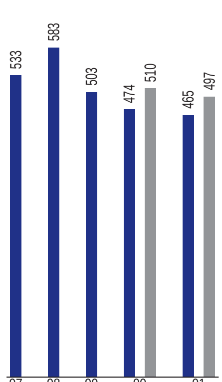
Conversely, while the Company's development segment reported a 65.8% decreased in sales to ¥5,934 million (US$47.8 million), it also recorded operating income amounting to ¥864 million (US$7.0 million) for the term. Concerted efforts to improve sales of highly profitable items contributed largely to these results. Compared with a loss of ¥1,034 million (US$8.3 million), reported in the previous term, the Company is pleased to report a profit of ¥1,898 million (US$15.3 million) for fiscal 2000 for this business segment.

Total net sales for the other businesses segment increased by 15.8% from the previous year, to ¥14,914 million (US$120 million), however there was no operating income reported. An operating loss amounting to ¥535 million (US$4.3 million) was recorded in the previous term, however owing to the increase in total net sales for this business segment during the term under review the loss was reduced to ¥81 million (US$0.6 million). The substantial improvement in the performance of these two business segments contributed substantially to Penta-Ocean's overall performance in fiscal 2000.

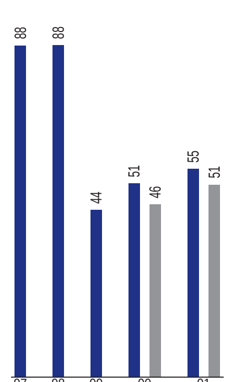
In Japan, consolidated net sales amounted to ¥368,899 million (US$2,977 million), decreasing 3.9% from the previous term, and accounted for 83.8% of the Group's total net sales. Operating income declined by 13.5% to ¥11,809 million (US$95.3 million).

Revenues from overseas projects in the Asian region decreased by 11.0%, to ¥71,242 million (US$574 million), and accounted for 16.2% of total net sales. Operating income derived from the Company's international business segment, amounted to ¥1,353 million (US$10.9 million), increasing 53.9% year-on-year.

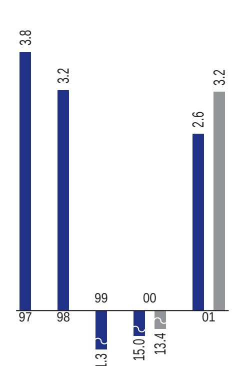
Total Assets
Billons of yen



Shareholders' Equity
Billons of yen



Net Icome (Loss)
Billons of yen



Orders Received and Contract Backlog

The total of new orders received during the term by the Company's consolidated group amounted to ¥480,699 million (US$3,879 million). In particular, the construction segment reported an increase in new orders of 18.1%. Domestic orders received decreased by 5.3%, due primarily to a reduction in public works, to ¥334,564 million (US$2,700 million). Orders received from overseas, however, increased substantially, as a result of successful bidding for a massive landfill project in Singapore. A carryover to the current fiscal term by the construction segment amounted to ¥545,246 million (US$4,400 million), an 11.9% increased from the previous term.

Cash Flows

Cash flow generated by sales activities, net profit before tax and other adjustments in the term under review, amounted to ¥9,436 million (US$76.1 million). This represented a significant increase from the previous term of ¥28,490 million (US$229 million). The 329.8% improvement in income from the construction segment was due largely to a reduction in construction expenses involving units not yet completed, and amounted to ¥37,340 million (US$301 million). This represents an increase of ¥28,653 million (US$231 million) over the previous term's result.

Cash flow from investment activities increased by ¥6,604 million (US$53.3 million) and represented excess income of ¥1,744 million (US$14.0 million) after adjustment for expenditures involving the acquisition of tangible fixed assets, such as costs for a reclamation vessel and the sale of securities for investment.

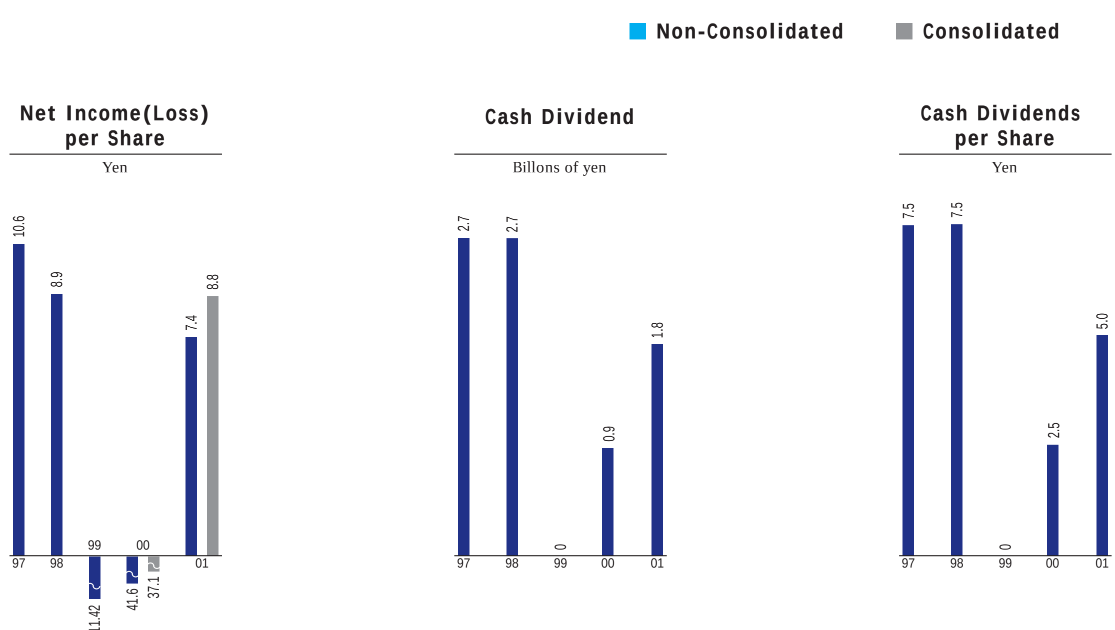
Cash flow from financial activities decreased by ¥6,892 million (US$55.6 million) from the previous term, to an excess expenditure of ¥21,587 million (US$174 million), owing mainly to the deferment of long-term debts.

As a result, the amount of consolidated cash and cash equivalents reported by the Company at the end of the term increased by 49.5%, or ¥17,761 million (US$143 million) over the previous term's level, to ¥53,632 million (US$432 million).

Dividends

It is the Company's basic policy to pay dividends to its shareholders in a consistent manner, while at the same time endeavoring to accumulate internal reserves in order to maintain a strong financial base.

In the term under review, Penta-Ocean completed a three-year plan to write off losses in order to move the company into a more financially sound and profitable position. Owing to this, the dividend was set at ¥5.00 (US$0.04) per share and the Company paid out a total of ¥1,807 million (US$14.5 million) for a payout ratio of 67.6%. In doing so, we expressed our revolve to ensuring stable profits for our shareholders in the future.



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

Consolidated Balance Sheets

March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2000	**2001**	**2001**
Current assets:			
Cash and time deposits	¥ 37,578	**¥ 54,499**	**$ 439,863**
Marketable securities (Notes 3 (4), 4 and 5)	14,864	**—**	**—**
Securities (Notes 3 (4) and 4)	—	**72**	**581**
Trade receivables:			
Note	18,343	**24,668**	**199,096**
Account	156,728	**150,163**	**1,211,969**
Inventories: (Note 3 (7))			
Cost of uncompleted contacts	60,543	**45,832**	**369,911**
Real estate for trade and real estate in progress	51,006	**53,255**	**429,822**
Other inventories	2,794	**1,994**	**16,094**
Deferred tax assets (Note 15)	15,083	**10,231**	**82,575**
Other current assets	7,235	**7,359**	**59,395**
Allowance for doubtful receivables (Note 3 (6))	(3,986)	**(1,236)**	**(9,976)**
Total current assets	360,188	**346,837**	**2,799,330**
Investments and non-current assets:			
Investment in securities (Notes 3 (4), 4 and 5)	15,842	**23,249**	**187,643**
Long-term loans and receivables	7,195	**2,115**	**17,070**
Sundry investments	21,376	**25,890**	**208,959**
Deferred tax assets (Note 15)	9,776	**8,925**	**72,034**
Allowance for doubtful receivables (Note 3 (6))	(9,103)	**(13,689)**	**(110,484)**
Total investments and non-current assets	45,086	**46,490**	**375,222**
Property and equipment: (Note 3 (8))			
Land	52,335	**51,688**	**417,176**
Buildings and structures	42,383	**41,346**	**333,705**
Machinery, equipment and vehicles	19,131	**19,164**	**154,673**
Dredgers and vessels	45,091	**42,592**	**343,761**
Construction in progress	152	**1,175**	**9,483**
Other property and equipment	3,722	**3,790**	**30,589**
Total property and equipment	162,814	**159,755**	**1,289,387**
Less accumulated depreciation	(58,809)	**(57,031)**	**(460,298)**
Property and equipment — net	104,005	**102,724**	**829,089**
Other assets			
Consolidation adjustments	192	**144**	**1,162**
Other (Note 3 (9))	1,194	**919**	**7,417**
Total other assets	1,386	**1,063**	**8,579**
Total assets	¥510,665	**¥497,114**	**$4,012,220**

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2001
Current liabilities:			
Bank loans (Note 6)	¥130,429	**¥102,815**	**$ 829,822**
Commercial paper	3,000	**3,000**	**24,213**
Current portion of long-term debt (Note 6)	26,233	**22,048**	**177,950**
Trade payables:			
Note	49,267	**58,108**	**468,991**
Account	98,855	**91,754**	**740,549**
Advance on contracts in progress	48,797	**46,695**	**376,878**
Deposit received	8,998	**14,353**	**115,843**
Accrued taxes on income	525	**521**	**4,205**
Accrued expenses	4,008	**3,058**	**24,681**
Other current liabilities	3,858	**3,961**	**31,969**
Total current liabilities	373,970	**346,313**	**2,795,101**
Long-term liabilities:			
Long-term debt (Note 6)	73,072	**80,692**	**651,267**
Reserve for retirement benefits (Notes 3 (11), (13) and 19)	5,812	**8,030**	**64,811**
Reserve for directors' and statutory auditors' retirement (Note 3 (12))	1,233	**1,231**	**9,935**
Deferred tax liabilities for land revaluation (Note 17 (2))	3,358	**3,418**	**27,587**
Other long-term liabilities	6,867	**5,715**	**46,126**
Total long-term liabilities	90,342	**99,086**	**799,726**
Shareholders' equity:			
Common stock	33,971	**33,971**	**274,181**
Common stock, ¥50 par value			
Authorized — 599,135,000 shares			
Issued — 361,407,443 shares at March 31, 2001 and 2000			
Additional paid-in capital (Note 17 (1))	10,635	**10,635**	**85,835**
Land revaluation excess (Note 17 (2))	4,628	**4,711**	**38,023**
Retained earnings (deficit) (Note 2 (5))	(3,124)	**317**	**2,559**
Valuation difference of other securities (Note 17 (3))	—	**1,766**	**14,253**
Cumulative foreign currency translation adjustments (Note 3 (2))	243	**315**	**2,542**
Less: Treasury shares	(0)	**(0)**	**(0)**
Total shareholders' equity	46,353	**51,715**	**417,393**
Total liabilities and shareholders' equity	¥510,665	**¥497,114**	**$4,012,220**

Commitments and contingent liabilities (Note 14)

Consolidated Statement of Income, and Retained Earnings or Deficit

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Construction business:			
Net sales	¥436,910	**¥428,367**	**$3,457,361**
Cost of sales	389,785	**383,471**	**3,095,004**
	47,125	**44,896**	**362,357**
Real estate and others:			
Net sales	27,042	**11,774**	**95,029**
Cost of sales	27,514	**10,090**	**81,437**
	(472)	**1,684**	**13,592**
Total net sales	463,952	**440,141**	**3,552,390**
Total cost of sales	417,299	**393,561**	**3,176,441**
Total gross profit	46,653	**46,580**	**375,949**
Selling, general and administrative expenses	32,109	**33,418**	**269,718**
Operating income	14,544	**13,162**	**106,231**
Other income:			
Interest and dividends	822	**856**	**6,909**
Other (Note 7)	685	**1,042**	**8,410**
	1,507	**1,898**	**15,319**
Other expenses:			
Interest	5,215	**4,001**	**32,292**
Other (Note 8)	2,012	**565**	**4,560**
	7,227	**4,566**	**36,852**
Ordinary income	8,824	**10,494**	**84,698**
Extraordinary gain (Note 9)	4,686	**17,321**	**139,798**
Extraordinary loss (Note 10)	32,564	**18,379**	**148,338**
Income (loss) before income taxes	(19,054)	**9,436**	**76,158**
Income taxes: (Notes 3 (18) and 15)			
Current	862	**872**	**7,038**
Tax effect adjustment	(6,521)	**5,385**	**43,462**
Net income (loss)	(13,395)	**3,179**	**25,658**
Retained earnings (deficit): (Note 2 (15))			
Balance at the beginning of the period	(26,787)	**(3,124)**	**(25,214)**
Prior period tax effect adjustment	18,031	**—**	**—**
Additional paid-in capital to cover deficit	19,027	**—**	**—**
Decrease due to changes in consolidated subsidiaries	—	**1,249**	**10,081**
Cash Dividend	—	**(904)**	**(7,296)**
Reversal of land revaluation excess	—	**(83)**	**(670)**
Net income (loss)	(13,395)	**3,179**	**25,658**
Balance at the end of the period	¥ (3,124)	**¥ 317**	**$ 2,559**

Income (loss) per share of common stock (Note 3 (14))	Yen		U.S. dollars (Note 1)
Primary	¥(37.06)	**¥8.80**	**$0.07**
Assuming full dilution	—	**—**	**—**

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Shareholders' Equity

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Common stock:			
Balance at the beginning of the period	¥33,971	**¥33,971**	**$274,181**
Balance at the end of the period	33,971	**33,971**	**274,181**
Additional paid-in capital: (Note 17)			
Balance at the beginning of the period	29,662	**10,635**	**85,835**
Reversal to cover deficit	(19,027)	**—**	**—**
Balance at the end of the period	10,635	**10,635**	**85,835**
Land revaluation excess: (Note 17 (2))			
Balance at the beginning of the period	—	**4,628**	**37,353**
Removal of land revaluation excess	4,628	**83**	**670**
Balance at the end of the period	4,628	**4,711**	**38,023**
Retained earnings or deficit: (Note 3 (12))			
Balance at the beginning of the period	(26,787)	**(3,124)**	**(25,214)**
Prior period tax effect adjustment	18,031	**—**	**—**
Reversal of additional paid-in capital the to cover deficit	19,027	**—**	**—**
Increase (decrease) due to changes in consolidated subsidiaries	0	**1,249**	**10,081**
Cash dividend	0	**(904)**	**(7,296)**
Reversal of land revaluation excess	0	**(83)**	**(670)**
Net income (loss)	(13,395)	**3,179**	**25,658**
Balance at the end of the period	(3,124)	**317**	**2,559**
Valuation difference of other securities (Note 17 (3))	—	**1,766**	**14,253**
Cumulative foreign currency translation adjustments (Note 3 (2))	¥ 243	**¥ 315**	**$ 2,542**

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statement of Cash Flows

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Cash flows from operating activities:			
Income (loss) before income taxes	¥(19,054)	**¥9,436**	**$76,158**
Adjustment to reconcile income (loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,400	**4,947**	**39,927**
(Increase) decrease in allowance for doubtful receivables	2,759	**1,819**	**14,681**
(Increase) decrease in reserve for retirement benefits	2,819	**2,218**	**17,902**
(Increase) decrease in reserve for directors' and statutory auditors' retirement	170	**(2)**	**(16)**
Interest and dividend received...	(822)	**(856)**	**(6,909)**
Interest paid	5,680	**4,495**	**36,279**
Foreign exchange loss (gain)	684	**318**	**2,567**
Equity in loss (gain) of affiliates	336	**330**	**2,663**
Loss (gain) on sales and disposal of property and equipment	620	**(409)**	**(3,300)**
Loss (gain) on sales of marketable and investment in securities	283	**(3,441)**	**(27,772)**
Loss (gain) on valuation of marketable and investment in securities	228	**1,863**	**15,036**
Expense on approving defined benefit plan	—	**(8,069)**	**(65,125)**
Gains on approving defined benefit plan	—	**14,845**	**119,814**
Gains on redeeming long-term debt	—	**(4,130)**	**(33,333)**
Change in assets and liabilities:			
(Increase) decrease in trade receivables	18,451	**3,769**	**30,420**
(Increase) decrease in cost of uncompleted contacts	6,563	**14,711**	**118,733**
(Increase) decrease in real estate for trade and real estate in progress	26,553	**2,538**	**20,484**
Increase (decrease) in trade payables	(14,302)	**6,137**	**49,532**
Increase (decrease) in advance on contracts in progress	(15,887)	**(2,105)**	**(16,990)**
Increase (decrease) in accured expenses	(907)	**(930)**	**(7,506)**
Other – net	(5,112)	**(5,362)**	**(43,277)**
Sub total	14,292	**42,122**	**339,968**
Interest and dividends received	756	**777**	**6,271**
Interest paid.	(5,373)	**(4,680)**	**(37,772)**
Income taxes paid	(988)	**(879)**	**(7,095)**
Net cash provided by (used for) operating activities	8,687	**37,340**	**301,372**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Cash flows from investing activities:			
Purchases of marketable securities	¥ (215)	**¥ (15)**	**$ (121)**
Proceeds from sales of marketable securities	721	**125**	**1,009**
Purchases of investment in securities	(915)	**(1,357)**	**(10,952)**
Proceeds from sales of investment in securities	450	**6,473**	**52,243**
Purchases of property and equipment	(5,125)	**(5,160)**	**(41,646)**
Proceeds from sales of property and equipment	1,915	**2,203**	**17,780**
Disbursements for loans receivable	(3,281)	**(2,534)**	**(20,452)**
Collection of loans receivable	1,939	**1,488**	**12,010**
Other – net	(349)	**521**	**4,205**
Net cash provided by (used for) financing activities	(4,860)	**1,744**	**14,076**
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(9,081)	**(29,043)**	**(234,407)**
Net increase (decrease) commercial paper	(2,000)	**—**	**—**
Proceeds from long-term debt	16,882	**44,464**	**358,870**
Payment of long-term debt	(20,489)	**(36,103)**	**(291,388)**
Cash dividend paid	(7)	**(905)**	**(7,304)**
Other – net	0	**(0)**	**(0)**
Net cash provided by (used for) financing activities	(14,695)	**(21,587)**	**(174,229)**
Difference resulting from conversion of foreign cash and cash equivalents to yen	(423)	**264**	**2,130**
Net increase (decrease) in cash and cash equivalents	(11,291)	**17,761**	**143,349**
Cash and cash equivalents at the beginning of the period	47,162	**35,871**	**289,516**
Cash and cash equivalents at the end of the period	¥35,871	**¥53,632**	**$432,865**
(Note) Cash and cash equivalents are comprised as follows:			
Cash and deposits in bank	¥37,578	**¥54,499**	**$439,863**
Less-Time deposits which can be drawn out over three months	(1,707)	**(867)**	**(6,998)**
Cash and cash equivalents	¥35,871	**¥53,632**	**$432,865**

Notes to Consolidated Financial Statements

(Information with respect to fiscal 2001 is unaudited)

1. Basis of consolidated financial statements

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

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

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥123.90, the exchange rate prevailing on March 31, 2001. 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 the equity method

The Company had twenty-five subsidiaries and five affiliates at March 31, 2001.
The Company consolidated all subsidiaries and applied the equity method to all affiliates.

(2) Consolidation date

The balance sheet date of the Company and its domestic subsidiaries is March 31 and those of the overseas subsidiaries (excluding Penta-Ocean Dredging Panama and three other subsidiaries) are December 31. The consolidation date is March 31.

Significant transactions through the period from January 1 to March 31 are adjusted in consolidation.

(3) Valuation of assets and liabilities of consolidated subsidiaries

The valuation method of assets and liabilities of subsidiaries adopts the full fair market value method, which evaluates all assets and liabilities of subsidiaries at fair market value. The Company allocates the valuation excess between fair market value and book value on the proportion of each holding share's number to minority shareholders and the Company.

This method was applied to subsidiaries acquired on and after April 1, 1999.

(4) Consolidation adjustments

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

(5) Appropriation of retained earnings or deficit

Appropriation of retained earnings or deficit approved by the Shareholders' meeting held during the fiscal year in which consolidation of the respective consolidated companies took place, was reflected in the consolidated financial statements.

3. Summary of significant accounting policies

(1) The conversion method of foreign currency transactions used by the Company and its domestic subsidiaries and affiliates

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 are converted into yen at the exchange rate prevailing on the balance sheet date. Non monetary items denominated in foreign currencies are converted into yen at the historical rate. Exchange gains or losses, realized or unrealized, are included in current income.

(2) The conversion method of foreign currency of overseas subsidiaries and affiliates

Translations in the non-consolidated financial statements of overseas subsidiaries and affiliates are made in accordance with the conversion method approved in the respective countries.

Concerning translations to yen, all assets, liabilities, revenues and expenses accounted for the financial statements are translated into yen at the exchange rate prevailing on the balance sheet date, except for the components of Shareholders' equity which are translated at their historical rate.

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

(3) Recognition of contract revenue

The Company generally recognizes revenue upon the completed-contract method excluding the percentage of completion method to recognize revenue derived from large, long-term construction projects which meet a certain specified term.

Advances received in excess of revenue incurred on long-term contracts are shown as a current liability. Cost of uncompleted contracts are included in inventory.

(4) Securities

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

Other securities with fair market value are stated at the fair value method based on the market price at the closing date (Valuation differences are included in Shareholders' equity, and sales costs when sold are determined by the moving average method.)

Other securities with no fair value are determined by the moving average cost method.

The Company applied the accounting standards for financial instruments (Opinion Concerning Establishment of Accounting Standards for Financial Instruments), issued by the Business Accounting Deliberation Council on January 22, 1999), and changed the valuation basis and valuation method of securities from the current fiscal year. The effect of this change to the financial statements is small.

The Company reexamined the holding purpose of securities at the beginning of the current year, and reclassified the securities coming to maturity within a year as current assets and the others as investment in securities.

Thereby, securities in current assets, ¥14,739 million (U.S.$118,959 thousand) are transferred to investment in securities.

As a result of the evaluation based on the fair value method, securities in current assets decreased by ¥2 million (U.S.$16 thousand) and investment in securities increase by ¥3,050 million (U.S.$24,617 thousand).

(5) Derivative transactions

Derivative financial instruments are determined by the fair value method.

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

(6) Allowance for doubtful receivables

Allowance for doubtful receivables is provided for at the amounts calculated by an estimated uncollectible rate, which is based on the ratio of the past actual bad debt loss to general credits, and at the estimated uncollectible amounts by consideration of the possibility of collection on an individual account to specific credits of apprehension credits of bad debt, etc.

(7) Inventories

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

(8) Property and equipment

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

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

(9) Research and development costs, and computer software

Research and development costs are charged to expense as incurred.

The computer software which has been purchased for internal use is amortized as no scrap values by the straight-line method over five years based on the estimated useful life of internal use.

(10) Accounting for finance lease

Finance lease transactions other than these, which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by the same method applied to ordinary operating leases.

(11) Reserve for retirement benefits

Retirement benefits systems of the Company consist of an employee welfare pension system and a tax-qualified pension system, which cover 70 percent of the amount which would be required to be paid, if all employees voluntarily terminated their service at the balance sheet date.

The Company applied the new accounting standard for retirement benefits (Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits), issued by the Business Accounting Deliberation Council on June 16, 1998) from the current consolidation fiscal year.

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

Effects of the amendments on the application of the new accounting standards for retirement benefits ¥22,815 million (U.S.$184,140 thousand) are equally amortized over fifteen years.

Prior service liability is recognized as an expense when incurred.

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

Costs for retirement benefits increased by ¥682 million (U.S.$5,504 thousand), were charged to expense as general and administrative expenses, cost of sales and cost of uncompleted contracts as ¥219 million (U.S.$1,768 thousand), ¥416 million (U.S.$3,358 thousand), and ¥46 million (U.S.$371 thousand), respectively.

As a result, operating income and ordinary income decreased by ¥636 million (U.S.$5,133 thousand), respectively. Gains on establishment of trusts of financial assets to cover retirement benefit obligations rose ¥8,069 million (U.S.$65,125 thousand), while the cost of retirement benefits incurred amounted to ¥14,845 million (U.S.$119,814 thousand). These were stated as extraordinary gain and losses, respectively, thereby, income before income taxes decreased by ¥7,412 million (U.S.$59,822 thousand), compared with those in the case where the same method used in the previous consolidation fiscal year is applied in the current consolidation fiscal year.

Reserve for retirement, ¥5,811 million (U.S.$46,901 thousand), and accrued payable, ¥994 million (U.S.$8,023 thousand), for prior service liability of the pension plan have been transferred to reserve for retirement benefits.

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

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

(13) System of retirement pay

The Company established the employees' welfare pension system, tax-qualified pension system and a lump-sum severance indemnity plan as defined retirement benefit plans and established the trusts of financial assets to cover retirement benefit obligations. In response to necessity, the Company will pay a special supplementary retirement pay to those retiring.

The lump-sum severance indemnity plan and the employees' welfare pension were established by eleven companies of the Company and consolidated subsidiaries, respectively, and the tax-qualified pension plan applies only to the Company.

Consolidated overseas subsidiaries are not included in these retirement benefit plans.

(14) Net income per share

Primary net income per share is calculated by the weighted average number of shares on the basis of outstanding common stocks for the period from the beginning to the end of the fiscal period.

Assuming full dilution has not been presented by the reason why convertible bonds and bonds with detachable warrant have not been issued as of the end of March 31, 2001.

(15) Statement of Cash Flow

Cash and cash equivalents included in the Statements of cash flows, consist of cash, time deposits, which are drawn out within three months, and highly liquid investments with a maturity of three months or less when purchased.

(16) Deferred charge

Initial cost of business is amortized over five years on the straight-line method.

(17) Hedging accounting

1) Hedge accounting method adopts deferral hedge.

2) Hedge instruments and hedge items

Hedge instruments are interest rate swap agreements and forward exchange contracts.

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

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

4) Evaluation of the effectiveness of hedge accounting

Control procedures of hedge transactions are executed according to the Companies' Bylaws. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluate the effectiveness of hedging.

(18) Income taxes

The Company and consolidated domestic subsidiaries declares corporation and other taxes on the basis of taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

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

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

4. Securities

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

	Millions of yen	Thousands of U.S. dollars
Securities due within one year:		
Held-to maturity bonds	**¥ 65**	**$ 525**
Investment trust bills	**7**	**56**
Total	**¥ 72**	**$ 581**
Investment in securities:		
Held-to maturity bonds	**¥ 537**	**$ 4,334**
Investment trust bills	**132**	**1,065**
Stocks	**19,977**	**161,235**
Others	**2,603**	**21,009**
Total	**¥23,249**	**$187,643**

(Note)

The new accounting standards concerning securities have come to application from the current consolidated fiscal year and the valuation basis and the classification method of securities are changed, as a result the comparison with the previous consolidation fiscal year is not available and so has been omitted.

5. Pledged assets

The following assets replaced guaranty money relating to fulfillment of construction contracts at March 31, 2000 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Marketable securities	¥359	**¥ —**	**$ —**
Investment in insecurities	265	**1,040**	**8,394**
Sundry investments	150	**150**	**1,211**
Total	¥774	**¥1,190**	**$9,605**

6. Loans and long-term debt

Short-term bank loans are represented primarily in the form of overdraft facility notes bearing annual interest rates ranging from 0.60 percent to 1.88 percent for the two fiscal years ended March 31, 2001 and 2000. Long-term debt as of March 31, 2000 and 2001 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Long-term loans from banks and insurance companies maturing in 2013 (bearing annual interest rates ranging from 1.40 percent to 4.46 percent)	¥99,305	**¥102,739**	**$829,209**
Less: current portion of long-term debt	(26,233)	**(22,047)**	**(177,942)**
Total	¥73,072	**¥ 80,692**	**$651,267**

The aggregate annual maturing amounts of long-term loans after March 31, 2001 are as follows:

Years ending March 31,	Millions of yen **2001**	Thousands of U.S. dollars **2001**
2002	**¥ 22,048**	**$177,950**
2003	**17,735**	**143,140**
2004	**12,008**	**96,917**
2005	**7,915**	**63,882**
2006 and after that	**43,034**	**347,328**
Total	**¥102,740**	**$829,217**

7. Other income

The composition of Other income-others for the two years ended March 31, 2000 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Rent received from real estate	¥223	**¥ 335**	**$2,704**
Gain on sale of marketable securities	11	**—**	**—**
Exchange gain	—	**401**	**3,236**
Others	451	**306**	**2,470**
Total	¥685	**¥1,042**	**$8,410**

8. Other expenses

The composition of Other expenses-others for the two years ended March 31, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Equity in loss of affiliates	¥ 336	**¥330**	**$2,663**
Foreign exchange loss	1,327	**—**	**—**
Others	349	**235**	**1,897**
Total	¥2,012	**¥565**	**$4,560**

9. Extraordinary gain

The composition of Extraordinary gain for the two years ended March 31, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Gain of cancellation of land contract	¥3,562	**¥ —**	**$ —**
Gain on sale of marketable securities	18	**3,833**	**30,936**
Gain on approving defined benefit plan	—	**8,069**	**65,125**
Gain on redeeming long-term debt	—	**4,172**	**33,672**
Gain on sale of fixed assets	14	**726**	**5,860**
Prior period adjustments	757	**430**	**3,471**
Others	335	**91**	**734**
Total	¥4,686	**¥17,321**	**$139,798**

10. Extraordinary loss

The composition of Extraordinary loss for the two years ended March 31, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Loss from sale of fixed assets	¥ 634	**¥ 327**	**$ 2,639**
Loss from disposition of fixed assets	414	**63**	**509**
Provision for bad debt	3,065	**—**	**—**
Loss on revaluation of real estate for trade	18,502	**204**	**1,647**
Loss on securities revaluation	228	**1,863**	**15,036**
Expense on approving defined benefit plan	—	**14,845**	**119,814**
Loss resulting from cancellation of interest rate swap agreements	3,441	**—**	**—**
Loss resulting from recognizing the shortage of past service costs by the change in accounting	3,309	**—**	**—**
Others	2,971	**1,077**	**8,693**
Total	¥32,564	**¥18,379**	**$148,338**

11. Research and development costs

Research and development costs charged to expense for the fiscal year ended March 31, 2001 were ¥2,367 million (U.S.$19,104 thousand).

12. The summary of finance lease transactions

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

(1) Fair market value, accumulated depreciation and present value of properties leased by the Company are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Equipment	¥332	**¥ 323**	**$2,607**
Vehicle	278	**676**	**5,456**
Buildings	21	**21**	**169**
	631	**1,020**	**8,232**
Accumulated depreciation	(391)	**(622)**	**(5,020)**
Present value	¥240	**¥ 398**	**$3,212**

Depreciation is calculated by the straight-line method for lease periods as no scrap value.

(2) The future lease payments as of March 31, 2000 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Within less than one year	¥135	**¥129**	**$1,041**
Later years	113	**304**	**2,454**
Total	¥248	**¥433**	**$3,495**

(3) The difference between the aggregate payment and the acquisition fair market value of lease properties is regarded as an interest to be paid and allocated to each accounting period through the lease period of initial contracts by the interest-method:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Lease payment	¥169	**¥200**	**$1,614**
Depreciation	158	**180**	**1,453**
Interest expense	9	**18**	**145**

13. Derivative transactions

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

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

	Millions of yen			Thousands of U.S. dollars		
	2001			2001		
As of March 31, 2001	Contract amount	Fair Value	Unrealized gain (loss)	Contract amount	Fair Value	Unrealized gain (loss)
Non-market transactions						
Interest rate swap						
Fixed rate payment, floating rate receipt	¥6,427	¥(71)	¥(71)	$51,872	$(573)	$(573)
Total	¥6,427	¥(71)	¥(71)	$51,872	$(573)	$(573)

(Note)

Fair market value is based on the price offered by financial institutions concluding the derivative agreements.

14. Commitments and contingent liabilities

As of March 31, 2001, commitments for the purchase of machinery and equipment and other assets were ¥246 million (U.S.$1,985 thousand). The Company had contingent liabilities for bank loans amounting to ¥27,542 million (U.S.$222,292 thousand) of subsidiaries, affiliates and others.

15. Tax effect accounting

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

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Deferred tax assets			
Loss on revaluation of real estate for trade	¥ 8,576	**¥ 6,034**	**$ 48,701**
Deficit carried forward on tax	9,727	**4,641**	**37,458**
Disapproval on tax purpose concerning allowance for doubtful receivables	1,750	**2,307**	**18,620**
Loss on establishments of trusts of financial assets to cover retirement benefit obligations	—	**2,849**	**22,994**
Disapproval on tax purpose concerning reserve for retirement benefits	—	**2,592**	**20,920**
Disapproval on tax purpose concerning reserve for bonuses	—	**584**	**4,713**
Reserve for directors' and statutory auditors' retirement	—	**517**	**4,173**
Disapproval on tax purpose concerning accrued employees' severance indemnities	1,643	**—**	**—**
Others	3,401	**2,163**	**17,458**
Total: deferred tax assets	25,097	**21,687**	**175,037**
Less : Valuation allowance	—	**(997)**	**(8,047)**
Deferred tax assets	25,097	**20,690**	**166,990**
Deferred tax liabilities			
Valuation difference of other securities	—	**(1,281)**	**(10,339)**
Amendment for reduction of allowance for doubtful receivables	(118)	**(120)**	**(969)**
Others	(120)	**(133)**	**(1,073)**
Total: deferred tax liabilities	(238)	**(1,534)**	**(12,381)**
Net: deferred tax assets	¥24,859	**¥19,156**	**$154,609**

The principal originated details of the material differences between the legal practical tax rate and the actual burden tax rate after application of tax effect accounting is as follows:

	2000	**2001**
The legal practical tax rate		**42.05%**
Permanent exclusion from expenses		**14.85**
Tax free income		**(1.88)**
Capita levy on inhabitant tax	*	**5.35**
Unrecognized tax effect concerning deficit carried forward on tax		**2.94**
Unrecognized tax effect on consolidation adjustments		**2.69**
Others		**0.31**
The actual burden tax rate after application of tax effect accounting		**66.31%**

* The above details of the material differences in fiscal 2000 have been omitted due to losses before tax adjustments.

16. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with transferences (including services) and purchases, except for tax-free transactions. Consumption tax is eliminated from transferences (including services) and purchases stated in the Statement of income.

17. Shareholders' equity

(1) Legal reserve and additional paid-in capital

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

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

The code regulates that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

(b) According to Article 3 of the Law concerning Special Measures under the Commercial Code with respect to procedures of cancellation of stocks, it has been regulated in the Articles of Incorporation that the Company can repurchase treasury stocks on certain terms by resolution of the Board of Directors and the Company can cancel those by additional paid-in capital.

(2) Land revaluation excess

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

Date of revaluation: March 31, 2000

As a result, the revaluation excess was recognized and taxes to be levied to its excess in future was declared as a deferred tax liability and net excess after deduction of the above taxes was presented in Shareholders' equities as a Land Revaluation Excess. This excess is also available for cancellation of treasury stocks.

The revaluation difference between the fair market value as of March 31, 2001 and book value after the initial enforcement of the Law, is ¥2,596 million (U.S.$20,952 thousand).

(3) Valuation differences of other securities

Valuation difference are recognized as the amounts after application of tax effect accounting to differences between valuation amounts of other securities based on the fair market value and their book value at the closing date on March 31. This amounted to ¥1,766 million (U.S.$14,253 thousand) as of March 31, 2001.
Deferred tax liability amounted to ¥1,281 million (U.S.$10,339 thousand).

(4) Restriction on dividends

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

18. Authorized shares

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

19. Retirement benefits

I. Retirement benefit obligations.

	Millions of yen	Thousands of U.S. dollars
	2001	**2001**
a. Retirement benefit obligation	**¥(96,088)**	**$(775,528)**
b. Pension assets	**50,803**	**410,032**
c. Unfunded retirement benefit obligation	**(45,285)**	**(365,496)**
d. Unrecognized effects of the amendments on the application of the new accounting standards for retirement benefits	**21,290**	**171,832**
e. Unrecognized actuarial gain or loss	**15,965**	**128,853**
f. Unrecognized prior service liability	**—**	**—**
g. Net retirement benefit obligations	**(8,030)**	**(64,811)**
h. Prepaid pension cost	**—**	**—**
i. Reserve for retirement benefits	**¥ (8,030)**	**$ (64,811)**

II. Retirement benefit costs for the year ended March 31, 2001.

	Millions of yen	Thousands of U.S. dollars
	2001	**2001**
a. Service costs	**¥ 2,109**	**$ 17,022**
b. Interest costs	**2,946**	**23,777**
c. Expected return on pension fund assets	**(1,989)**	**(16,053)**
d. Amortization of effects of the amendments on the application of the new accounting standards for retirement benefits	**16,371**	**132,131**
e. Amortization of actuarial gain or loss	**—**	**—**
f. Recognition of prior service liability	**—**	**—**
g. Retirement benefit costs	**¥19,437**	**$156,877**

III. Calculation basis of retirement benefit obligations, etc.

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	3.00%
c. Expected return rate on pension fund assets	5.00%
d. Recognition term of prior service liability	fully recognized as incurred
e. Amortization term of actuarial gain or loss	10 years
f. Amortization term of effects of the amendments on the application of the new accounting standards for retirement benefits	15 years

20. Segment Informations

(1) Business segment

Business segment is primarily composed of the followings:

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

Year ended March 31, 2000	Millions of yen					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥436,910	¥17,283	¥ 9,759	¥463,952	¥ —	¥463,952
Internal sales or transfer	604	102	3,114	3,820	(3,820)	—
Total	437,514	17,385	12,873	467,772	(3,820)	463,952
Operating expenses	421,446	18,419	13,408	453,273	(3,865)	449,408
Operating income	16,068	(1,034)	(535)	14,499	45	14,544
Assets	344,416	71,920	35,557	451,893	58,772	510,665
Depreciation	3,665	207	1,528	5,400	—	5,400
Capital expenditures	1,036	5	4,273	5,314	—	5,314

Year ended March 31, 2001	Millions of yen					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥428,367	¥5,843	¥5,931	¥440,141	¥ —	¥440,141
Internal sales or transfer	2	91	8,983	9,076	(9,076)	—
Total	428,369	5,934	14,914	449,217	(9,076)	440,141
Operating expenses	415,807	5,070	14,995	435,872	(8,894)	426,978
Operating income	12,562	864	(81)	13,345	(182)	13,163
Assets	335,882	64,473	36,960	437,315	59,799	497,114
Depreciation	3,234	148	1,565	4,947	—	4,947
Capital expenditures	2,340	5	2,932	5,277	—	5,277

Year ended March 31, 2001	Thousands of U.S. dollars					
	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$3,457,361	$ 47,159	$ 47,870	$3,552,390	$ —	$3,552,390
Internal sales or transfer	16	734	72,503	73,253	(73,253)	—
Total	3,457,377	47,893	120,373	3,625,643	(73,253)	3,552,390
Operating expenses	3,355,989	40,920	121,025	3,517,934	(71,775)	3,446,159
Operating income	101,388	6,973	(652)	107,709	(1,478)	106,231
Assets	2,710,912	520,363	298,305	3,529,580	482,640	4,012,220
Depreciation	26,102	1,195	12,631	39,928	—	39,928
Capital expenditures	18,886	41	23,664	42,591	—	42,591

(2) Geographic segment

Geographic segment is primarily composed of the followings:

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

	Millions of yen					
Year ended March 31, 2000	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥383,902	¥76,064	¥3,986	¥463,952	¥ —	¥463,952
Internal sales or transfer	—	—	—	—	—	—
Total	383,902	76,064	3,986	463,952	—	463,952
Operating expenses	370,237	75,145	4,026	449,408	—	449,408
Operating income	13,665	919	(40)	14,544	—	14,544
Assets	396,161	42,129	4,869	443,159	67,506	510,665

	Millions of yen					
Year ended March 31, 2001	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥368,899	¥64,302	¥6,940	¥440,141	¥ —	¥440,141
Internal sales or transfer	—	—	—	—	—	—
Total	368,899	64,302	6,940	440,141	—	440,141
Operating expenses	357,090	63,089	6,799	426,978	—	426,978
Operating income	11,809	1,213	141	13,163	—	13,163
Assets	374,953	46,691	5,718	427,362	69,752	497,114

	Thousands of U.S. dollars					
Year ended March 31, 2001	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$2,977,393	$518,983	$56,014	$3,552,390	$ —	$3,552,390
Internal sales or transfer	—	—	—	—	—	—
Total	2,977,393	518,983	56,014	3,552,390	—	3,552,390
Operating expenses	2,882,082	509,193	54,884	3,446,159	—	3,446,159
Operating income	95,311	9,790	1,130	106,231	—	106,231
Assets	3,026,255	376,845	46,150	3,449,250	562,970	4,012,220

All the operating expenses are allocated to the respective segments applicably.

The assets unable to allocate belong to general control division in the head office of the Company and subsidiaries at March 31, 2001 was ¥69,752 million (U.S.$562,970 thousand).

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

(3) Overseas sales

For the year ended March 31, 2000	Millions of yen		
	Southeast Asia	Others	Total
Overseas sales	¥76,064	¥3,986	¥ 80,050
Consolidated sales			¥463,952
The proportion of overseas sales to consolidated sales	16.4%	0.9%	17.3%

Segments of countries or areas are set up on the basis of geographical proximity.

Principal countries and areas included in each category.
— Southeast Asia: Singapore, Hong Kong, Malaysia.
— Others: Egypt, Micronesia, Sri Lanka.

For the year ended March 31, 2001	Millions of yen			Thousands of U.S. dollars
	Southeast Asia	Others	Total	Total
Overseas sales	¥64,302	¥6,940	¥ 71,242	$ 574,997
Consolidated sales			¥440,141	$3,552,390
The proportion of overseas sales to consolidated sales	14.6%	1.6%	16.2%	16.2%

Segments of countries or areas are set up on the basis of geographical proximity.

Principal countries and areas included in each category.
— Southeast Asia: Singapore, Hong Kong, Malaysia.
— Others: Egypt, Micronesia, Sri Lanka.

21. Significant subsequent events

The Company resolved including the following two companies by acquisition of their stocks as subsidiaries in the Board of Directors held on May 23, 2001.

The purposes of acquisition of their stocks are strengthening of competitiveness and improvement of construction capacities of the Company's group in domestic or foreign counties and these are to be acquired at May 30, 2001.

The summery of their financial data for six months ended March 31, 2001 is as follows:

	Penta-Ocean Dredging CO., LTD.		Yoshin Construction CO., LTD.	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Sales amounts	¥21,913	$176,860	¥10,984	$ 88,249
Net income	247	1,994	54	436
Total assets	28,804	232,478	19,260	155,448
Total liabilities	27,078	218,547	18,238	147,199
Net assets	1,726	13,931	1,022	8,249

Independent Auditors' Report

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

We have audited the consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income (loss), and retained earnings (deficit), shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries at March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis.

As described in Note 3 to the consolidated financial statements, PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries adopted new accounting standards for retirement benefits, financial instruments and translation of foreign currency transactions effective April 1, 2000, and new accounting standards for consolidation, research and development costs and tax-effect accounting effective April 1, 1999 in the preparation of the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for the convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 28, 2001

Century Ota Showa & Co.

CENTURY OTA SHOWA & CO.

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