Penta-Ocean Construction Co., Ltd.

Non-Consolidated Five-Year Summary

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	**2001**	**2001**
Orders received	¥628,185	¥516,020	¥470,010	¥404,259	**¥473,024**	**$3,817,789**
Civil engineering	385,429	265,688	319,246	249,349	**316,349**	**2,553,261**
Architectual engineering	240,417	246,738	147,257	144,055	**151,291**	**1,221,074**
Real estate and other	2,339	3,594	3,507	10,855	**5,384**	**43,454**
Net sales	550,695	567,176	508,925	434,811	**419,382**	**3,384,843**
Civil engineering	335,046	319,165	280,180	270,443	**250,937**	**2,025,319**
Architectual engineering	212,551	244,604	225,525	153,288	**163,308**	**1,318,063**
Real estate and other	3,098	3,407	3,220	11,080	**5,137**	**41,461**
Contract backlog	634,771	571,317	527,702	487,252	**543,262**	**4,384,681**
Civil engineering	360,075	295,832	330,850	302,537	**369,569**	**2,962,801**
Architectual engineering	274,683	275,285	196,364	184,453	**173,184**	**1,397,772**
Real estate and other	13	200	488	262	**509**	**4,108**
Total assets	533,785	583,978	503,272	474,959	**465,121**	**3,754,003**
Shareholders' equity	88,616	88,978	44,606	51,634	**55,167**	**445,254**
Ordinary income	12,517	11,683	3,173	11,305	**10,917**	**88,111**
Income (Loss) before income taxes	13,231	9,478	(40,796)	(23,321)	**7,481**	**60,379**
Net income (loss)	3,807	3,209	(41,341)	(15,024)	**2,674**	**21,562**
Cash dividend	2,717	2,717	—	904	**1,807**	**14,584**

Per share of common stock:	Yen					U.S. dollars
Shareholders' equity	¥245	¥246	¥123	¥143	**¥153**	**$1.23**
Net income (loss)	10.56	8.86	(114.22)	(41.57)	**7.40**	**0.06**
Cash dividend	7.50	7.50	—	2.50	**5.00**	**0.04**

Number of employees	5,080	4,671	3,937	3,774	**3,710**	

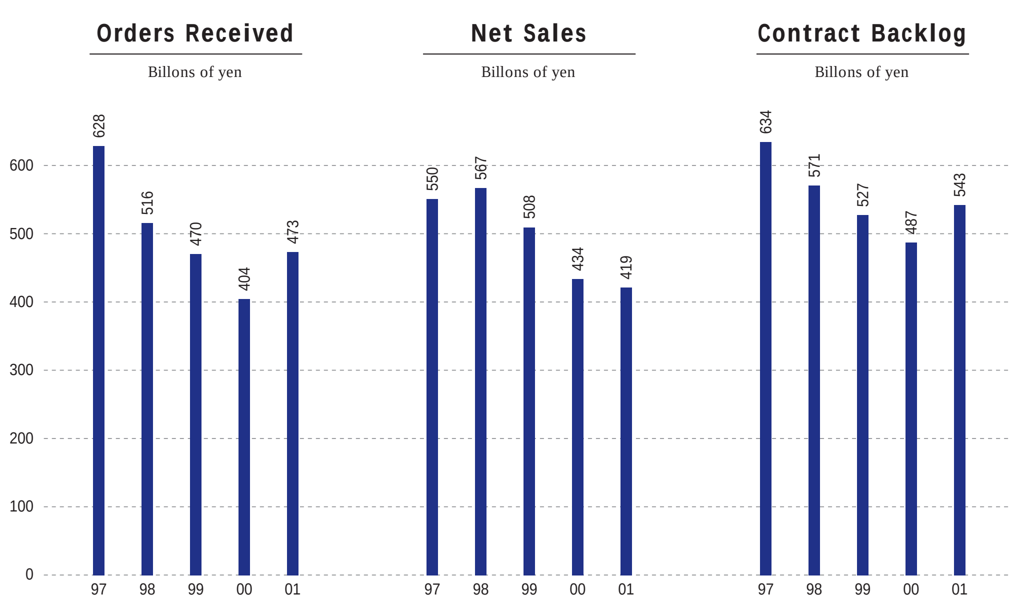
U.S.$1=¥123.90 as at March 31, 2001

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Orders received	¥404,259	**¥473,024**	**$3,817,789**
Net sales	434,811	**419,382**	**3,384,843**
Contract backlog	487,252	**543,262**	**4,384,681**
Total assets	474,959	**465,121**	**3,754,003**
Shareholders' equity	51,634	**55,167**	**445,254**
Ordinary income	11,305	**10,917**	**88,111**
Income (Loss) before income taxes	(23,321)	**7,481**	**60,379**
Net income (loss)	(15,024)	**2,674**	**21,582**
Cash dividend	904	**1,807**	**14,584**
	Yen		U.S. dollars
Per share of common stock:			
Shareholders' equity	¥143	**¥153**	**$1.23**
Net income (loss)	(41.57)	**7.40**	**0.06**
Cash dividends	2.50	**5.00**	**0.04**

Note: Figures stated in U.S. dollars are converted for convenience only, at the rate of ¥123.90 per U.S.$1, prevailing on March 31, 2001.



Non-Consolidated Balance Sheets

March 31, 2001 and 2000

ASSETS	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars 2001
Current assets:			
Cash and time deposits	¥ 30,521	**¥ 46,782**	**$ 377,579**
Marketable securities (Notes 2 (3), 3 and 4)	14,864	**—**	**—**
Securities (Notes 2 (3) and 3)	—	**72**	**581**
Trade receivables:			
Note	14,847	**23,338**	**188,362**
Account	150,433	**142,654**	**1,151,364**
Subsidiaries and affiliates	13,612	**14,153**	**114,229**
Allowance for doubtful receivables (Note 2 (5))	(4,060)	**(1,312)**	**(10,589)**
Inventories: (Note 2 (6))			
Cost of uncompleted contracts	58,458	**43,726**	**352,914**
Real estate for trade and real estate in progress	32,138	**36,477**	**294,407**
Raw materials and supplies	1,726	**1,341**	**10,823**
Deferred tax assets (Note 12)	16,767	**11,469**	**92,566**
Other current assets	6,761	**6,533**	**52,728**
Total current assets	336,067	**325,233**	**2,624,964**
Investments and non-current assets:			
Investments in and loans to subsidiaries and affiliates	23,130	**23,019**	**185,787**
Investment in securities (Notes 2 (3), 3 and 4))	15,769	**23,074**	**186,231**
Long-term receivables	2,860	**204**	**1,646**
Sundry investments	20,498	**25,150**	**202,986**
Deferred tax assets (Note 12)	9,424	**9,156**	**73,899**
Allowance for doubtful receivables (Note 2 (5))	(9,238)	**(15,306)**	**(123,535)**
Total investments and non-current assets	62,443	**65,297**	**527,014**
Property and equipment: (Note 2 (7))			
Land	47,292	**46,624**	**376,304**
Buildings and structures	37,646	**36,604**	**295,432**
Machinery, equipment and vehicles	16,319	**16,367**	**132,098**
Dredgers and vessels	27,875	**24,290**	**196,045**
Construction in progress	152	**1,365**	**11,017**
Total property and equipment	129,284	**125,250**	**1,010,896**
Less accumulated depreciation	(53,741)	**(51,425)**	**(415,053)**
Property and equipment — net	75,543	**73,825**	**595,843**
Other assets (Note 2 (8))	906	**766**	**6,182**
Total assets	¥474,959	**¥465,121**	**$3,754,003**

See accompanying Notes to Non-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 5)	¥127,726	**¥101,333**	**$ 817,861**
Commercial paper	3,000	**3,000**	**24,213**
Current portion of long-term debt (Note 5)	22,306	**20,893**	**168,628**
Trade payables:			
Note	38,429	**45,359**	**366,094**
Account	91,370	**84,480**	**681,840**
Subsidiaries and affiliates	4,616	**5,939**	**47,934**
Advance on contracts in progress	46,959	**45,048**	**363,584**
Deposits received	8,790	**14,184**	**114,479**
Accrued taxes on income	211	**247**	**1,994**
Accrued expenses	8,123	**6,025**	**48,628**
Other current liabilities	3,064	**3,188**	**25,730**
Total current liabilities	354,594	**329,696**	**2,660,985**
Long-term debt (Note 5)	56,983	**67,281**	**543,026**
Reserve for retirement benefits (Note 2 (10))	5,759	**7,940**	**64,084**
Reserve for directors' and statutory auditors' retirement (Note 2 (11))	1,089	**1,040**	**8,394**
Deferred tax liabilities for land revaluation (Note 14 (2))	3,358	**3,418**	**27,587**
Other long-term liabilities	1,542	**579**	**4,673**
Total long-term liabilities	68,731	**80,258**	**647,764**
Shareholders' equity:			
Common stock, ¥50 par value			
Authorized — 599,135,000 shares			
Issued — 361,407,443 shares at March 31, 2000	33,971	**—**	**—**
Issued — 361,407,443 shares at March 31, 2001	—	**33,971**	**274,181**
Additional paid-in capital (Note 14 (1))	10,635	**10,635**	**85,835**
Legal reserve (Note 14 (1))	—	**100**	**807**
Land revaluation excess (Note 14 (2))	4,628	**4,711**	**38,023**
Retained earnings (deficit):	—	**—**	**—**
Unappropriated	2,400	**3,987**	**32,179**
Valuation difference of other securities (Note 14 (3))	—	**1,763**	**14,229**
Total shareholders' equity	51,634	**55,167**	**445,254**
Total liabilities and shareholders' equity	¥474,959	**¥465,121**	**$3,754,003**

Commitments and contingent liabilities (Note 11)

Non-Consolidated Statements of Income

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	¥423,732	**¥414,245**	**$3,343,382**
Cost of sales	378,458	**370,848**	**2,993,123**
	45,274	**43,397**	**350,259**
Real estate and other:			
Net sales	11,080	**5,137**	**41,461**
Cost of sales	10,776	**3,899**	**31,469**
	304	**1,238**	**9,992**
Total net sales	434,812	**419,382**	**3,384,843**
Total cost of sales	389,234	**374,747**	**3,024,592**
Total gross profit	45,578	**44,635**	**360,251**
Selling, general and administrative expenses	29,831	**31,331**	**252,874**
Operating income	15,747	**13,304**	**107,377**
Other income:			
Interest and dividends	739	**892**	**7,199**
Interest and dividends from subsidiaries and affiliates	168	**139**	**1,122**
Other (Note 6)	567	**609**	**4,915**
	1,474	**1,640**	**13,236**
Other expenses:			
Interest	4,930	**3,910**	**31,558**
Other (Note 7)	986	**117**	**944**
	5,916	**4,027**	**32,502**
Ordinary income	11,305	**10,917**	**88,111**
Extraordinary gain (Note 8)	465	**17,113**	**138,119**
Extraordinary loss (Note 9)	35,091	**20,549**	**165,851**
Income (loss) before income taxes	(23,321)	**7,481**	**60,379**
Income taxes: (Notes 2 (14) and 12)			
Current	470	**460**	**3,712**
Tax effect adjustment	(8,767)	**4,347**	**35,085**
Net income (loss)	¥(15,024)	**¥ 2,674**	**$ 21,582**

Income (loss) per share of common stock (Note 2 (12))	Yen		U.S. dollars
Primary	¥(41.57)	**¥7.40**	**$0.06**

See accompanying Notes to Non-Consolidated Financial Statements

Penta-Ocean Construction Co., Ltd.

Non-Consolidated Statements 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**	**$274,181**
Additional paid-in capital: (Note 14 (1))			
Balance at the beginning of the period	¥ 29,662	**¥10,635**	**$ 85,835**
Used for making up deficit	(19,027)	**—**	**—**
Balance at the end of the period	¥ 10,635	**¥10,635**	**$ 85,835**
Legal reserve: (Note 14 (1))			
Balance at the beginning of the period	¥ 5,197	**¥ —**	**$ —**
Reversal to cover deficit	(5,197)	**100**	**807**
Balance at the end of the period	¥ —	**¥ 100**	**$ 807**
Land revaluation excess: (Note 14 (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 2 (15))			
Balance at the beginning of the period	¥14,049	**¥ —**	**$ —**
Used for making up deficit	(14,049)	**—**	**—**
Balance at the end of the period	¥ —	**¥ —**	**$ —**
Unappropriated:			
Balance at the beginning of the period	¥(38,273)	**¥ 2,400**	**$ 19,370**
Net income (loss)	(15,024)	**2,674**	**21,582**
Prior period tax effect adjustment	17,424	**—**	**—**
Cash dividend	—	**(904)**	**(7,296)**
Making up from legal reserve	5,197	**(100)**	**(807)**
Making up from additional paid-in capital to cover deficit	19,027	**—**	**—**
Used for making up deficit	14,049	**—**	**—**
Transferred from land revaluation excess	—	**(83)**	**(670)**
Balance at the end of the period	¥ 2,400	**¥ 3,987**	**$ 32,179**
Valuation defference of other securities: (Note 14 (3))	¥ —	**¥ 1,763**	**$ 14,229**

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements

(Information with respect to 2001 and 2000 is unaudited)

1. Basis of non-consolidated financial statements

The accompanying non-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 in 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 are presented herein as additional information. Certain items have been reclassified and adjusted for readers outside Japan.

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. Summary of significant accounting policies

(1) Foreign currency conversion

Transactions in foreign currencies are converted into yen at the exchange rates 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) 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.

(3) Securities

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

Stocks of subsidiaries and affiliates are determined by the moving average cost method.

Other securities with fair market value are determined by 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 ¥3,044 million (U.S.$24,568 thousand).

(4) 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.

(5) Allowance for doubtful accounts receivable

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.

(6) Inventories

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

(7) Property and equipment

Property and equipment 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.

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 incurred during the fiscal year.

(8) 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.

(9) 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.

(10) 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 fiscal year.

Reserve for retirement benefits is provided for at the necessary amounts on an 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 ¥22,408 million (U.S.$180,855 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 employee remaining service years, and its amortization is to be started from the next year.

Costs for retirement benefits increased by ¥648 million (U.S.$5,230 thousand) and were charged to expense as general and administrative expenses, cost of sales and cost of uncompleted contracts, as ¥208 million (U.S.$1,679 thousand), ¥395 million (US$3,188 thousand), and ¥44 million (U.S.$355 thousand), respectively.

As a result, operating income and ordinary income decreased by ¥604 million (U.S.$4,875 thousand), respectively. Gains on establishment of trusts of financial assets to cover retirement benefit obligations rose ¥8,069 million (U.S.$65,125 thousand), which costs 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 ¥7,380 million (U.S.$59,564 thousand), compared with those in the case where the same method used in the previous fiscal year was applied in the current fiscal year.

Reserve for retirement, ¥5,759 million (U.S.$46,481 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

(11) 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.

(12) 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.

(13) 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.

(14) Income taxes

The Company declares corporation and other taxes for the current fiscal year 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 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 averaging 20.4 percent on the amount of corporation tax after certain adjustments. When paid, enterprise tax is deductible for income tax purposes.

(15) Appropriations of retained earnings or deficit

Appropriations of retained earnings or deficit are reflected in the accompanying non-consolidated financial statements when approved by shareholders.

3. 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	**19,806**	**159,855**
Others	**2,599**	**20,977**
Total	**¥23,074**	**$186,231**

(Note)

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

4. 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**
Total	¥624	**¥1,040**	**$8,394**

5. Loans and long-term debt

Short-term bank loans as of March 31, 2000 and 2001 are represented primarily in the form of overdraft facility notes bearing annual interest rates ranging from 0.520 percent to 1.875 percent for the two fiscal years ended March 31, 2000 and 2001. Long-term debt as of March 31, 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 2011 (bearing annual interest rates ranging from 1.40 percent to 2.92 percent)	¥79,289	**¥88,174**	**$711,654**
Less: current portion of long-term debt	(22,306)	**(20,893)**	**(168,628)**
Total	¥56,983	**¥67,281**	**$543,026**

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

Year ending March 31,	Millions of yen 2001	Thousands of U.S. dollars 2001
2002	**¥20,893**	**$168,628**
2003	**16,734**	**135,060**
2004	**11,050**	**89,185**
2005	**6,932**	**55,948**
2006 and after that	**32,565**	**262,833**
Total	**¥88,174**	**$711,654**

6. Other income

The composition of “Other income-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**
Rent received from real estate	¥261	**¥234**	**$1,889**
Gain on sale of marketable securities	11	**—**	**—**
Others	295	**375**	**3,026**
Total	¥567	**¥609**	**$4,915**

7. 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**
Foreign exchange losses	¥778	**¥ —**	**$ —**
Others	208	**117**	**944**
Total	¥986	**¥117**	**$944**

8. 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 on sale of investment in securities	¥ 16	**¥ 3,834**	**$ 30,944**
Gain on sale of fixed assets	13	**708**	**5,714**
Gain on establishments of trusts of financial assets to cover retirement benefit obligations	—	**8,069**	**65,125**
Repayment difference before due date of long-term debts	—	**4,130**	**33,334**
Others	436	**372**	**3,002**
Total	¥465	**¥17,113**	**$138,119**

9. 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**
Losses on sale of fixed assets	¥ 380	**¥ 324**	**$ 2,615**
Losses on disposition of fixed assets	410	**56**	**452**
Extra pay for voluntary retirement	199	**—**	**—**
Allowance for bad debt	3,020	**1,480**	**11,945**
Losses on revaluation of real estate for trade	18,469	**—**	**—**
Losses on liquidation of affiliated companies	3,471	**463**	**3,737**
Losses on revaluation of investment in securities	154	**1,853**	**14,956**
Losses resulting from cancellation of interest rate swap agreements	3,441	**—**	**—**
Losses resulting from recognizing the shortage of past service costs by the change in accounting	3,309	**—**	**—**
Cost for establishments of trusts of financial assets to cover retirement benefit obligations	—	**14,845**	**119,814**
Others	2,238	**1,528**	**12,332**
Total	¥35,091	**¥20,549**	**$165,851**

10. The summary of finance lease transactions

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

(1) Fair 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	¥620	**¥594**	**$4,794**
Vehicles	259	**204**	**1,646**
Buildings	21	**21**	**169**
	900	**819**	**6,609**
Accumulated depreciation	(555)	**(567)**	**(4,575)**
Present value	¥345	**¥252**	**$2,034**

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

(2) The future lease payments in the two fiscal years ended March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Due within one year	¥188	**¥138**	**$1,141**
Due over one year	170	**122**	**984**
Total	¥358	**¥260**	**$2,098**

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

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Lease payment	¥242	**¥211**	**$1,703**
Depreciation	225	**198**	**1,598**
Interest expense	14	**9**	**73**

11. Commitments and contingent liabilities

As of March 31, 2000 and 2001, commitments for the purchase of machinery and equipment and other assets are ¥75 million (U.S.$605 thousand) and ¥246 million (U.S.$1,985 thousand), respectively.

As of March 31, 2001 and 2000 the Company was contingently liable for bank loans of its subsidiaries, affiliates and others totalling ¥24,862 million (U.S.$200,661 thousand) and ¥41,581 million (U.S.$335,601 thousand), respectively.

12. 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**
Tax loss carry forwards	9,685	**3,664**	**29,572**
Excess of allowance for doubtful accounts	1,749	**2,928**	**23,632**
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	—	**2,561**	**20,670**
Loss on liquidation of affiliated companies	2,039	**1,330**	**10,734**
Excess of allowance for employees' bonuses	—	**553**	**4,463**
Accrued directors' and statutory auditors' retirement allowance	—	**437**	**3,527**
Excess of accrued employees' severance indemnities	1,622	**—**	**—**
Others	2,612	**1,643**	**13,261**
Total deferred tax assets	26,283	**21,999**	**177,554**
Less : Valuation allowance	—	**(4)**	**(32)**
Deferred tax assets	26,283	**21,995**	**177,522**
Deferred tax liabilities			
Unrealized gain on securities	—	**(1,278)**	**(10,323)**
Others	(92)	**(91)**	**(734)**
Total deferred tax liabilities	(92)	**(1,370)**	**11,057**
Net: deferred tax assets	¥26,191	**¥20,625**	**$166,465**

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		**17.61**
Tax free income	*	**(2.34)**
Capita levy on inhabitant tax		**6.15**
Others		**0.79**
The actual burden tax rate after application of tax-effect accounting		**64.26%**

* The above details of the material differences in fiscal 2000 are omitted due to losses before tax adjustment.

13. 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.

14. 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.

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 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 from cancellation of treasury stocks.

The valuation 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 differences 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 ¥1,763 million (U.S.$14,229 thousand) as of March 31, 2001. Deferred tax liability amounted to ¥1,279 million (U.S.$10,323 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.

15. Authorized shares

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

16. 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 non-consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and as of March 31, 2001 and 2000, and the related non-consolidated statements of income (loss) and shareholders' equity 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 non-consolidated financial statements referred to above, expressed in yen, present fairly the financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. at March 31, 2001 and 2000, and the results of its operations 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 2 to the non-consolidated financial statements, PENTA-OCEAN CONSTRUCTION CO., LTD. adopted new accounting standards for retirement benefits, financial instruments and translation of foreign currency transactions effective April 1, 2000, and new accounting standards for research and development costs and tax-effect accounting effective April 1, 1999 in the preparation of the non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-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 non-consolidated financial statements.

Tokyo, Japan
June 28, 2001

Century Ota Showa & Co.

CENTURY OTA SHOWA & CO.

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