MESSAGE FROM THE PRESIDENT

I wish to extend my appreciation to our shareholders for their support, and my wishes for their continued success. Please allow me to share an overview of our operating results for fiscal 2009 ended March 31, 2010 (60th business term) as well as our forecasts for fiscal 2010.

During the 2009 fiscal year, signs of a corporate earnings recovery were evident in the Japanese economy. However, unemployment levels remained high, and concerns persisted about the impact of a downturn in overseas economies and deflation. The business environment in the construction industry also continued to be severe, due to a sharp decline in orders received for private-sector construction. This was caused by a weakening of sentiment concerning supply and demand with regard to residential construction and businesses' hesitance to commit to capital investments. Overseas, we were affected by the global financial contraction and the accompanying recession. However, a recovery was comparatively quick to take hold in the Group's key Southeast Asian markets, and infrastructure improvement projects involving ports, railroads, schools and other types of facilities remained solid.

Facing this business environment, the Group has returned to the roots of our business as a construction firm, building greater on-site capacity, reinventing ourselves as a technology-oriented company, emphasizing profitability, and pushing vigorously for new projects and profitability. As a result, consolidated Net Sales amounted to ¥324,782 million (US$3,490.8 million), a year-on-year decrease of 18.5%, but Operating Income was nearly on a par with the prior fiscal year at ¥10,799 million (US$116.1 million), and Ordinary Income was ¥7,734 million (US$83.1 million), a year-on-year increase of 9.3%. We recorded Extraordinary Gains of ¥2,926 million (US$31.4 million), due in part to a ¥2,038 million (US$21.9 million) gain on the sale of investment securities. However, we recorded an Extraordinary Loss of ¥9,808 million (US$105.4 million), amid a ¥4,644 million (US$49.9 million) reversal of allowance for doubtful accounts. In the end, consolidated Net Income amounted to ¥1,747 million (US$18.8 million) (we had a consolidated Net Loss of ¥3,337 million [US$34.0 million] the previous year). Additionally, taking heed of the severity of the bidding environment facing the Group, as well as the scale of the Group's operations relative to market trends, we introduced a voluntary retirement system in February 2010 in order to establish an appropriate personnel structure for project implementation.

Despite projections that both the public and private sectors of the domestic construction market will remain severe over the next fiscal period, we forecast that investment will continue in projects in which the Group can showcase its technological capabilities, such as ports, airports and other large-scale and environment-related projects, including coastal disposal sites and incineration facilities. Additionally, we forecast the continuation of healthy investment in infrastructure improvement in Singapore, Hong Kong, and other Southeast Asian markets in which the Group specializes.

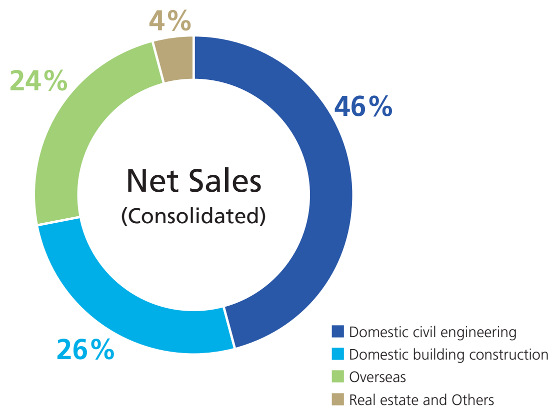
While striving to rebuild our project earnings structure and to strengthen our financial foundation, the Group intends to triumph in this era of technological and price competition as the No. 1 contractor in coastal and waterfront areas.

August, 2010

Yoshio Murashige,
President and Representative Director

Questions and Answers with President Murashige

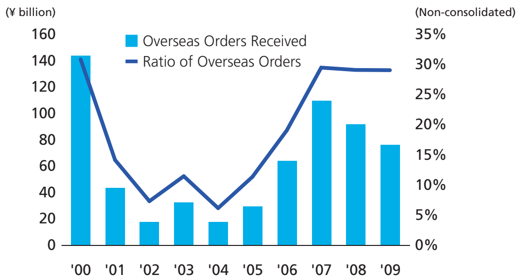
Q
What is the composition of net sales for the period?



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

Consolidated net sales for the current fiscal year amounted to ¥324.7 billion (a year-on-year decrease of ¥73.7 billion, or 18.5%). Net sales from domestic civil engineering, domestic building construction, and overseas construction all fell short of prior year levels. In domestic building construction in particular, orders received decreased, and orders that had been carried over were cancelled in accordance with clients' legal liquidation. As a result, net sales for domestic building construction fell by a steep 39% from the prior year.

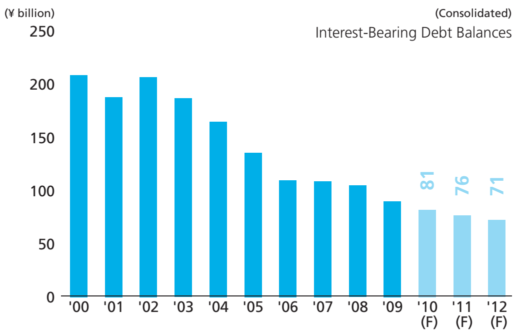
Q
It appears that Penta-Ocean has enjoyed strong performance in overseas orders for the past several years. Does the Group plan to continue aggressive expansion overseas?



A
One of our top priorities is to ensure the profitability of our overseas construction projects; over the short to medium term, our standard is to have 20% of all orders received coming from overseas.

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

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



A
By the end of fiscal 2012, we aim to bring our interest-bearing debt to ¥71.0 billion or less, and our D/E Ratio (net) to 0.3 times or less.

Domestic and overseas coastal civil engineering projects represent our core business. This business requires special capital investment in large dredgers and soil improving ships. Our capital investment is supported by loans from financial institutions, which means that interest-bearing debt still remains high in comparison to total assets. Naturally, we view the reduction of interest-bearing debt and improved net worth as pressing issues in connection with creating a stronger balance sheet. We will continue to reduce our levels of interest-bearing debt to build a more robust financial footing for the Group. Our specific targets are for consolidated interest-bearing debt of ¥71.0 billion or less and a D/E ratio (net) of 0.3 times or less by the end of fiscal 2012.