

Over the past 106 years, Penta-Ocean Construction Co., Ltd. has built some of the world's most famous structures and developed many of the industry's innovative construction machinery, methods and materials. The Company is a leading technology based, comprehensive construction company with a worldwide network of 28 subsidiaries and five affiliates. Today, the Penta-Ocean Group is involved in large-scale civil and architectural engineering projects in Japan and overseas, and is a leading developer of environment-related technology.

Front cover
The Niigata Port Tunnel spans the River Shinano at its mouth, where it flows into the Sea of Japan at Niigata Port. Penta-Ocean has been involved in the construction and installation of sunken caissons and the construction of a shaft that also acts as a ventilation tower (shown in the photograph.) The tunnel houses vehicle and pedestrian lanes and has been nicknamed the Port Corridor. The ventilating tower houses an observatory and is open to the public. (Niigata Prefecture)

During the term, Penta-Ocean completed construction of the Ibigawa Bridge on the Meishin Highway No. 2, which is under construction concurrently with the Tomei Highway No. 2. (Mie Prefecture)

CONTENTS

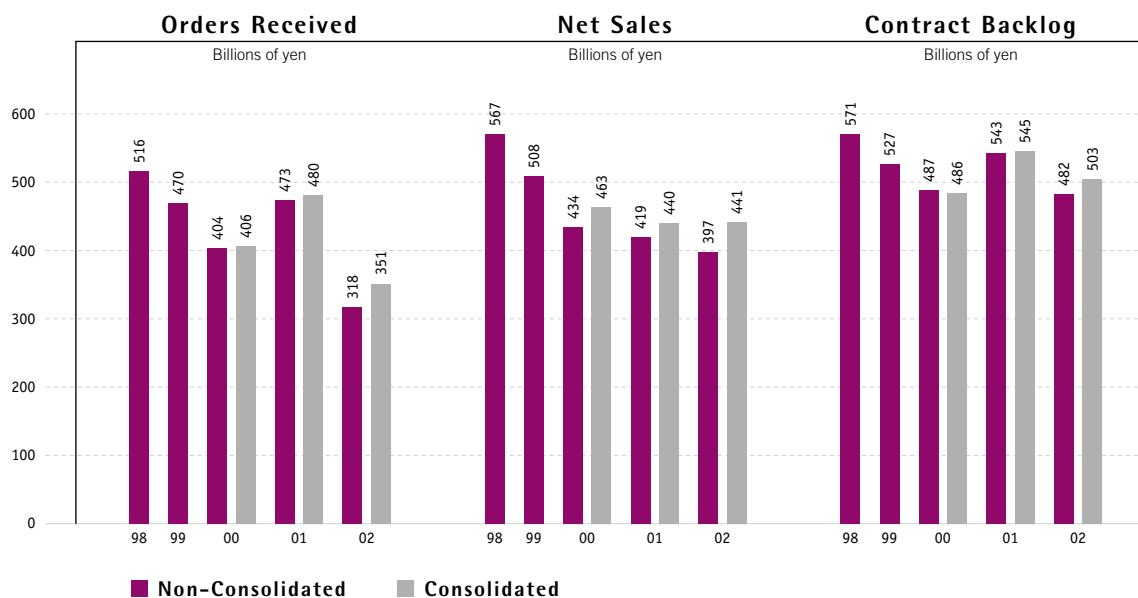
Consolidated Financial Highlights	1
Message from the Management	2
Strategies for Growth	4
Review of Operations	6
Financial Statements	13
Consolidated Summary	13
Financial Review	14
Company Data	34

CONSOLIDATED FINANCIAL HIGHLIGHTS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Orders received	¥480,699	¥351,331	\$2,636,630
Net sales	440,141	440,662	3,307,032
Contract backlog	545,246	502,980	3,774,709
Total assets	497,114	509,541	3,823,947
Shareholders' equity	51,715	51,685	387,880
Ordinary income	10,494	8,351	62,672
Income before income taxes	9,436	6,519	48,923
Net income	3,179	1,771	13,291
Cash dividends	1,807	904	6,784
Per share of common stock			
	Yen		U.S. dollars
Shareholders' equity	¥143	¥143	\$1.07
Net income	8.80	4.90	0.04
Cash dividends	5.00	2.50	0.02

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥133.25 per US\$1, prevailing on March 31, 2002.



MESSAGE FROM THE MANAGEMENT

Fiscal 2001, the year ended March 31, 2002, marked Penta-Ocean's 52nd business term. During this period, the Japanese economy continued to stagnate, taking yet another downward turn as demand from IT-related businesses dropped off, owing to slowing economic growth worldwide.

In the Japanese construction market, the number of public works projects declined to the previous term's level, as a result of the government's restructuring policy and severe conditions in financial markets. Private sector capital investment also slowed, as companies tried to cope with falling sales and worsening employment conditions. Overseas, competition among Japanese, North American and European construction companies intensified. Competition in Southeast Asia, where Penta-Ocean is most active, was particularly challenging.

Against this backdrop, the Company and its consolidated subsidiaries were unable to secure as many international project orders as in the previous term, and total sales declined year-on-year. Operating income also declined, owing to a falloff in sales and smaller profit margins for domestic construction projects.

Business Results for Fiscal 2001

Consolidated orders received for construction business during the term under review amounted to ¥351,331 million (US\$2,636 million), 26.9% below the previous year's level. Domestic civil engineering projects accounted for 13.6% of this decline and architectural projects for 18.0%. Overseas orders represented 69.8% of the total decline, reflecting a substantial decrease in large-scale landfill projects in Singapore, compared with the previous term.

While consolidated sales from the construction segment increased by 0.5% year-on-year to ¥430,473 million (US\$3,230 million), sales from the real estate

development segment declined, substantially, by 63.2% to ¥2,149 million (US\$16 million). The decline was attributed mainly to stagnated real estate markets in Japan. Meanwhile, sales for other categories increased 23.8% over the previous term, to ¥18,459 million (US\$138 million), owing to steady growth in shipbuilding orders and active sales and leasing of construction materials and equipment, in particular, Penta-Ocean's ocean vessel rental business. Therefore, total consolidated sales for the term under review amounted to ¥440,661 million (US\$3,307 million), a slight increase of 0.1% over the previous term. In Japan, sales from civil engineering projects declined by 4.4% and architectural projects by 12.3%. However, overseas projects increased by 9.7%.

Sales totals for the construction segment were comprised of 47.4% for domestic civil engineering, 32.9% for domestic architectural and 19.7% for overseas projects. Japanese government and municipal projects accounted for 60.0% of the total, and private sector companies for 40.0%.

Projects Completed

Principal projects completed during the term included ground improvement work for the Airport Island Landfill project Phase II, from Kansai International Airport; revetment construction work, from Chubu International Airport; pretreating plant construction work for the Rokkasho Reprocessing Plant, the Japan Nuclear Fuel Processing Plant; the National Diet Library Kansai Building, construction work, from the Kinki Regional government; Keppel Harbor revetment piling work from Keppelland International, in Singapore; construction of an emergency ward for the Caritas Comprehensive Medical Centre, from the Hong Kong government, and other projects.



Rempei Mizuno



Hideaki Kato

Consolidated operating income for the term declined by 19.0% from the previous term's level, to ¥10,655 million (US\$79 million), while income before income tax also decreased, by 30.9% to ¥6,519 million (US\$48 million). Consolidated net income for the term under review fell 44.3%, to ¥1,771 million (US\$13 million).

Notwithstanding the severe economic environment, Penta-Ocean continued to invest in its future in essential areas such as construction machinery, with capital investments totaling ¥2,800 million (US\$21 million). During fiscal 2001, the Company acquired a golf business when it liquidated subsidiary Nagasaki Sogo Resort Co., Ltd., and this resulted in an increase in fixed assets of ¥9,800 million (US\$73 million).

A dividend of ¥2.50 (US\$0.187) per share, for a total of ¥903 million (US\$6.7 million), was paid to shareholders at term-end. The pay out ratio was 58.0%.

Meeting New Challenges Successfully

Uncertainty surrounds the future for most Japanese. After a decade of economic recession and many failed attempts by the government to restructure itself and the economy, consumer confidence is at an all-time low. Private sector companies continue to rationalize their operations in order to further enhance their competitive edges, as they strive to expand their market shares and increase profitability. This trend is expected to continue unabated for the foreseeable future.

Construction companies face these same challenges, and as a leading international technology based, com-

prehensive construction company, Penta-Ocean will continue to respond decisively to the rapidly changing business environments in Japan and overseas. Backed by its extensive marine engineering expertise, the Company will focus on domestic coastal area renewal projects, and overseas, on improving profitability by augmenting its project selection prowess.

Penta-Ocean continues to make every effort to increase efficiency and improve profitability at all levels of its consolidated organization, and we believe these efforts will ultimately result in a return to sustainable profitability.

In these efforts, we ask our shareholders, customers and friends for their continued support and understanding.

June 27, 2002

Rempei Mizuno,
Chairman of the Board

Hideaki Kato,
President