

## 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 2008 (fiscal period 59), as well as our forecasts for fiscal 2009 (fiscal period 60).**

During the current fiscal year, the “Lehman Shock” of September 2008 transformed the sub-prime loan problem into a global financial crisis, damaging real economies around the world. Impacted by this development, the economy of Japan experienced a rapid contraction, with private company earnings damaged significantly. We expect that the Japanese economy will experience negative growth for the fiscal year.

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-Driven Company emphasizing profitability, and pushing vigorously for new projects and profitability. Domestic construction and overseas orders received were lower than the prior fiscal year; accordingly, Construction Orders Received underperformed the prior fiscal period. However, our large construction Backlog contributed to both Construction Revenues and Gross Profit showing a year-on-year increase.

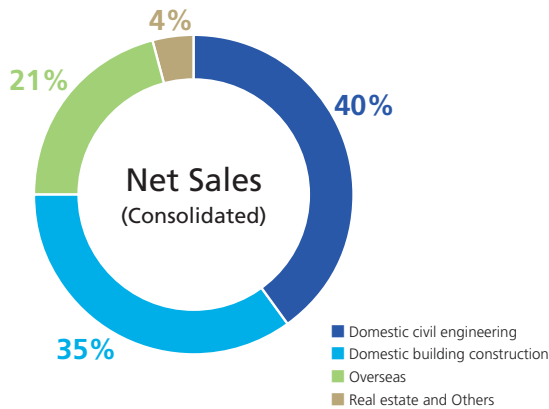
Despite projections of weak private-sector demand in the domestic construction market over the next fiscal period, there are promising signs of public-sector demand. Where government construction contracts are mainly subject to award via the technical integrated bid evaluation system, the major issue in this environment of increasingly severe competition is how to win projects by showcasing our technological capabilities. The weakness in the private-sector construction market will signal even more intense competition. A focus on profitability and strict credit management are two major issues we must control to ensure profits and cash flow. We must also engage in careful construction management both domestically and overseas—eliminating any potential quality or safety issues—to ensure that the contracts we win lead to profits.

June 26, 2009

**Yoshio Murashige,**  
President and Representative Director

## Questions and Answers with President Murashige

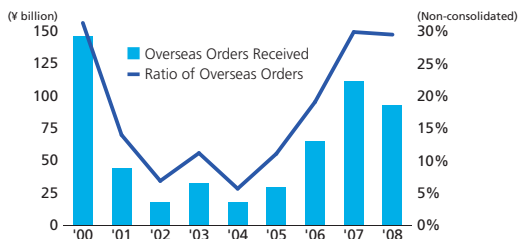
**Q** What is the composition of net sales for the period?



**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 ¥398.5 billion (a year-on-year increase of ¥45.7 billion, or 14.0%). Net sales from domestic civil engineering, domestic construction, and overseas construction all exceeded prior year levels. Domestic civil engineering performed well in winning new orders, while the Haneda Airport runway expansion project also made a significant contribution. While domestic construction experienced a significant decrease in orders during the period, strong order levels from fiscal 2007 supported the increase in net sales. Overseas construction net sales were affected by the strong Japanese yen; however, strong orders for a second consecutive year and a full slate of backlog orders were major factors in the growth of this segment.

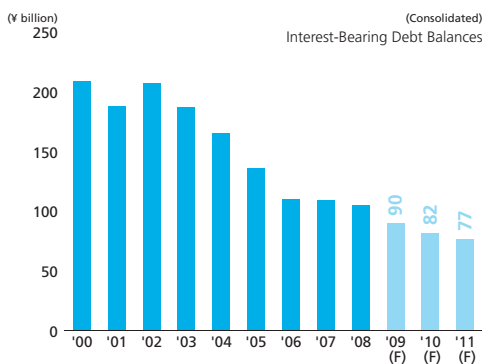
**Q** It appears that Penta-Ocean has enjoyed strong performance in orders for the past year or two. Does the Group plan to continue aggressive expansion overseas?



**A** One of our top priorities is to ensure the profitability of our overseas construction projects; our target is to have about 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 establish a new base of operations in Vietnam within the next several years. The Group has indeed experienced strong orders over the past one or two years; however, our highest priority is project profitability, and we have set a target to have about 20% of our orders come from overseas projects.

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



**A** Our goal is to reduce interest-bearing debt to a consolidated ¥8.2 billion and have a DE ratio (net) of 1.0 by 2010, which is the final year of our Advance 21 mid-term management plan.

Coastal civil engineering construction projects (domestic and overseas) represent the main portion of our business. This business, belonging to what is called the processing industry, requires special capital investment in 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 footwork for the Group.

Our goal is to reduce consolidated interest-bearing debt to ¥8.2 billion, and to achieve a DE ratio (net) of 1.0 by 2010, which is the final year of our Advance 21 mid-term management plan.