

Construction Market Outlook

Short-term Outlook

- **Public Works Projects:**
Changes in national budget allocation, review of individual projects, significant cuts in public works projects due to a change in the political regime
- **Private-Sector Demand:**
Glimmers of an economic recovery, but private demand remains weak
- **Large-scale Projects:**
Completion of Haneda Airport expansion project in fiscal 2010, low season for large-scale projects
- **Overseas:**
Southeast Asian economies quickly rebound, Singapore is strong, brisk investment in Hong Kong's 10 major infrastructure projects

Medium-term Prospects

- **Public Works Projects:**
Critical situation for public finances, rapid cutbacks in public works projects will ease, but an increase cannot be expected
- **Private-Sector Demand:**
Gradual economic recovery, increase in capital investment and housing market recovery become clear
- **Large-scale Projects:**
Establishment of airport/port hubs, Progress on Linear Chuo Shinkansen (bullet train), marine resource preservation, atomic power, environment-related projects
- **Overseas:**
Singapore, Hong Kong remain strong, new business opportunities in Southeast and South Asia

An era of technological/price competition in which only firms with superior technology and management will survive

Basic Policies

Rebuild project profit structure and strengthen financial foundation, aim for stable company management

- Secure profitability of core businesses
- Secure a growth-oriented financial foundation
- Reward shareholders

Practice honest corporate conduct

Establish Penta-Ocean as a technology-driven company

Strengthen company-wide, task-specific expertise

As the No. 1 contractor in coastal and waterfront areas, triumph in this era of technological/price competition and survive in an age of shakeouts/restructuring

Aim to be a vibrant firm that stands out

Basic Measures

Secure profits through strengthened profitability of core businesses

- Securing orders
- Commitment to profitability
- Enhancement of overseas departments

Shift to a structure/system tailored to project volume

- Intensification of selection and focus
- Proper distribution of business resources
- Cost reductions

Strengthen Management Capabilities

- Strengthen risk management
- Corporate governance
- Strengthen group management capabilities

Strengthen Financial Health

- Continue to reduce interest-bearing debt
- Improve capital structure
- Effectively utilize and steadily sell real estate holdings

Earnings Targets under Our Management Plan

(¥ billion)

	Advance 21				FY 2012 Plan	
	FY 2009 Actual		FY 2010 Plan			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Earnings Targets						
Construction Orders Received	—	¥257.1	—	¥270.0	—	¥283.0
Net Sales	¥324.8	297.4	¥310.0	287.0	¥312.0	289.0
Gross Profit	28.7	25.6	26.8	24.8	26.7	24.7
SG&A	17.9	16.3	15.8	14.3	15.2	13.7
Operating Income	10.8	9.3	11.0	10.5	11.5	11.0
Ordinary Income	7.7	7.8	7.5	7.0	8.5	8.0
Net Income	1.7	2.2	2.3	2.0	2.8	2.5
Earnings Per Share	¥ 7.1	—	¥9 or greater	—	¥11 or greater	—
Consolidated Financial Targets						
Interest-Bearing Debt		¥85.8		¥81.0 or less		¥71.0 or less
D/E Ratio		0.5 x		0.6 x or less		0.3 x or less
ROE		3.3%		4.0% or greater		5.0%

Continuation of Dividend

- Fiscal 2010 year-end dividend: ¥2 per share (Dividend payout ratio of 21.4%)

Major Fiscal Targets for Fiscal 2012 (consolidated)

- Ordinary Income: ¥8.5 billion or greater
- D/E Ratio (net): 0.3 or less

*D/E Ratio (net)=(Interest-bearing debt - Cash and deposits) / Shareholders' equity

Major Operating Trends/Plan (Full-Year)

