

Penta-Ocean Construction

Annual Report 2010

Year Ended March 31, 2010

Sailing on to New Challenges



Penta-Ocean Construction Co., Ltd. was established in Kure City, Hiroshima Prefecture in 1896, and has a history extending back 114 years. Since our establishment, we have leveraged technologies cultivated through maritime construction projects including reclamation and dredging to achieve growth and development as a comprehensive construction firm with strengths in coastal and waterfront areas.

The “Suez Canal improvement works,” which provided momentum for the Company’s leap forward, is one of our representative projects. Over a 20-year period beginning in 1961, the completion of challenging construction projects generated admiration and praise for the Company, and this became the turning point in making our name known across the globe. “We won’t give up until the end, even on difficult construction jobs.” This strong sense of mission concerning projects has been handed down, and we are currently engaged in numerous construction projects, focusing on Japan and Southeast Asia.

Even in today’s intensely competitive single global market, the Company continues to take on bold challenges, and is aiming to realize its vision of becoming the “No. 1 contractor in coastal and waterfront areas.”

CORPORATE POLICY/CORPORATE VISIONS

Corporate Policy



Corporate Visions

Creative company
for land and sea

As a leading contractor in coastal and waterfront areas, we seek to create an attractive environment; as an engineering-oriented company, we seek to pursue customer satisfaction and social contributions.

Committed company
guaranteeing solid quality

We build the trust of our customers and society by providing high-quality workmanship and safe products backed by solid technologies.

Future-oriented company
creating a rich environment for future generations

We create a high-quality, rich environment through our corporate activities and pass on our dreams, hopes and potential to the next generations.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2010

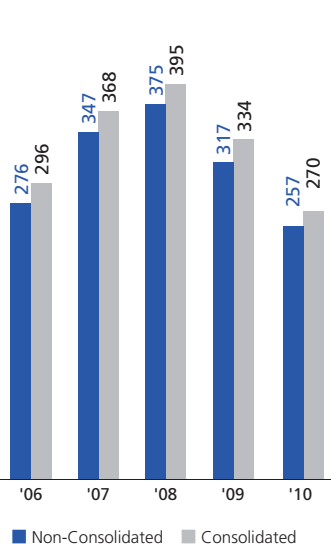
	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Orders Received	¥334,236	¥270,184	\$2,903,955
Net Sales	398,486	324,782	3,490,778
Operating Income	10,822	10,799	116,068
Ordinary Income	7,073	7,734	83,126
Income before Income Taxes and Minority Interests	330	852	9,157
Net Income (Loss)	(3,337)	1,747	18,777
Cash Dividends	—	491	5,277
Total Assets	339,587	294,246	3,162,575
Total Net Assets	53,827	54,466	585,404

Per share of common stock	Yen		U.S. dollars
	2009	2010	2010
Net Assets excluding Minority Interests	¥212.43	¥221.59	\$2.38
Net Income (Loss)	(13.58)	7.11	0.08
Cash Dividends	—	2.00	0.02

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥93.04 per U.S.\$1 prevailing on March 31, 2010.

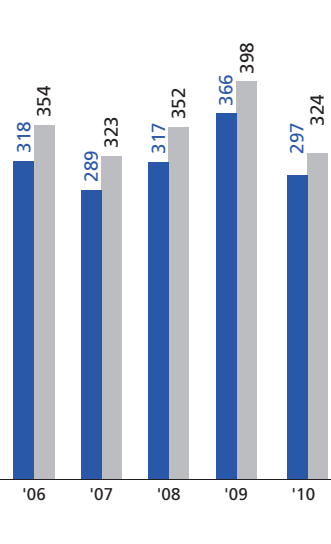
Orders Received

¥ billion



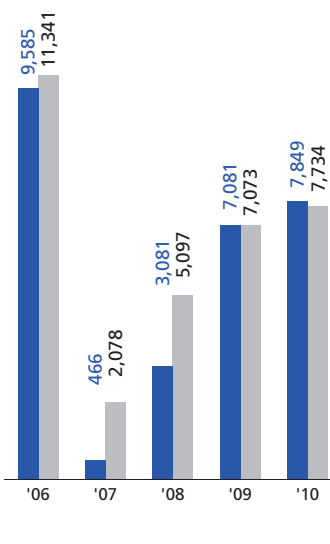
Net Sales

¥ billion



Ordinary Income

¥ million



Disclaimer

The information contained in this annual report concerning Penta-Ocean Construction Co., Ltd.'s forward-looking statements and management plans are based on information available to the company at the time that it was created. Please note that actual results may differ from the forecasts indicated here due to a variety of future factors.

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.

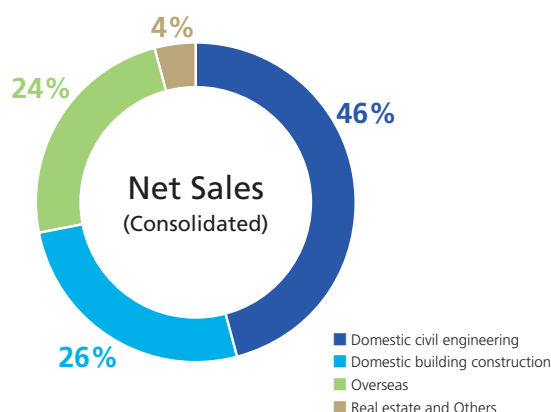
While striving to rebuild our project earnings structure and to strengthen our financial foundation, the Group intends to triumph in this era of technological and price competition as the No. 1 contractor in coastal and waterfront areas.

August, 2010

Yoshio Murashige,
President and Representative Director

Questions and Answers with President Murashige

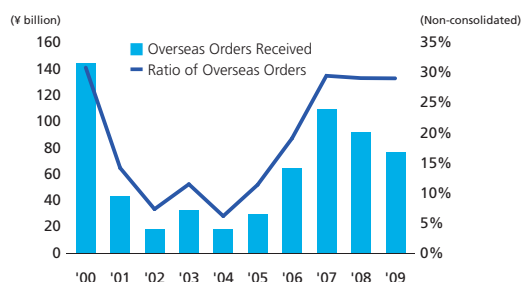
Q What is the composition of net sales for the period?



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.

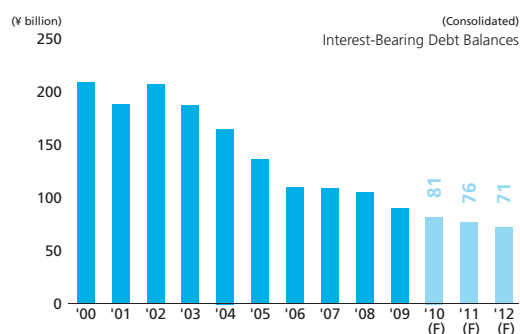
Q It appears that Penta-Ocean has enjoyed strong performance in overseas orders for the past several years. Does the Group plan to continue aggressive expansion overseas?



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.

MANAGEMENT VISION/BUSINESS PLAN

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

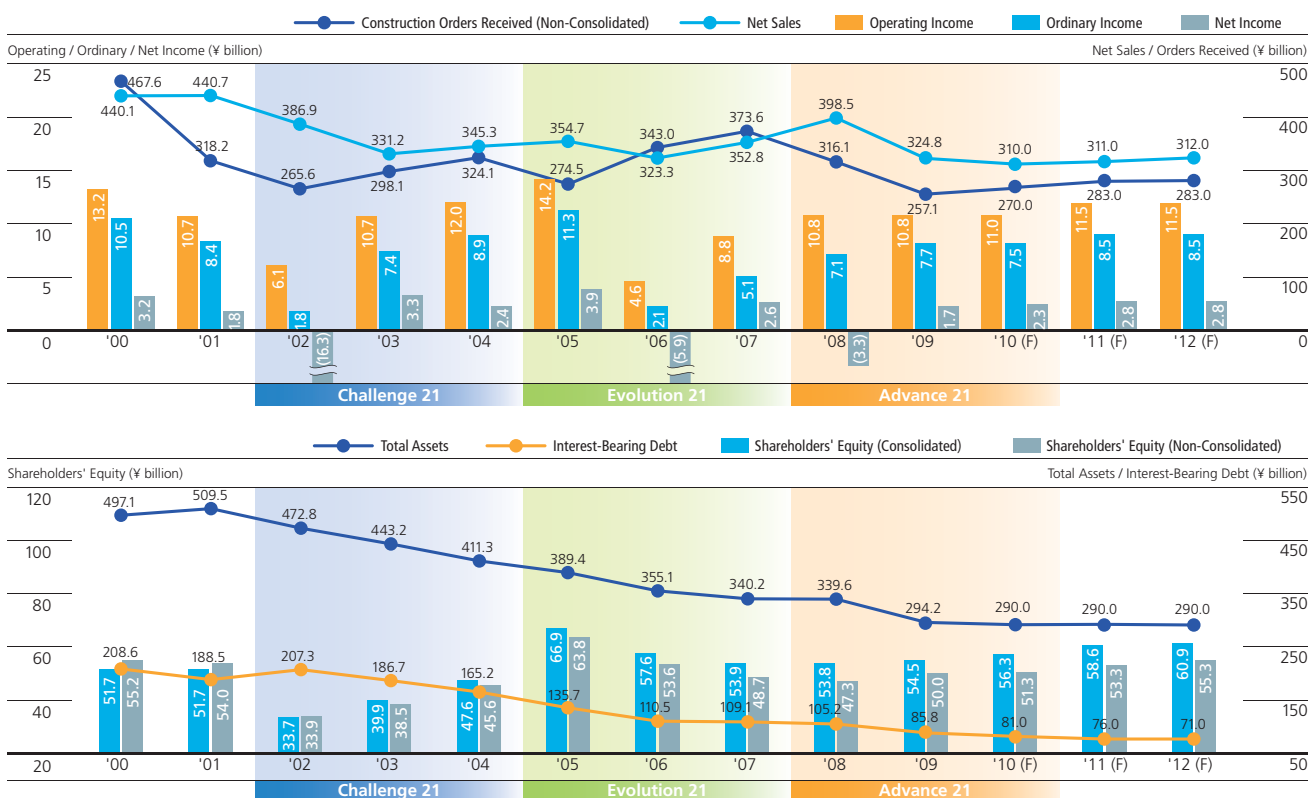
- Fiscal 2010 year-end dividend: ¥2 per share (Dividend payout ratio of 21.4%)

Major Fiscal Targets for Fiscal 2012 (consolidated)

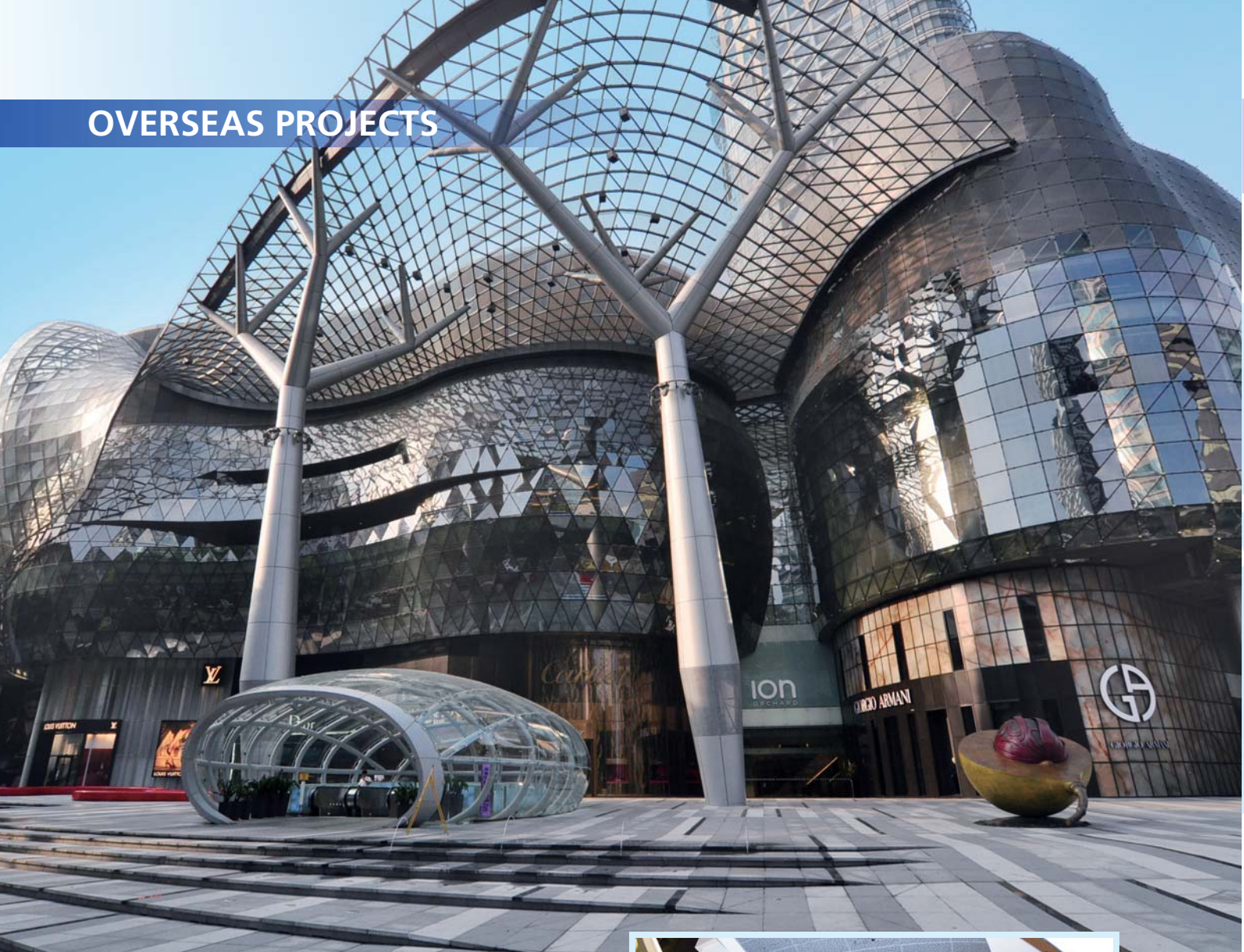
- Ordinary Income: ¥8.5 billion or greater
- D/E Ratio (net): 0.3 or less

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

Major Operating Trends/Plan (Full-Year)



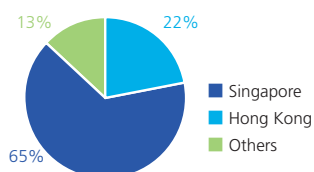
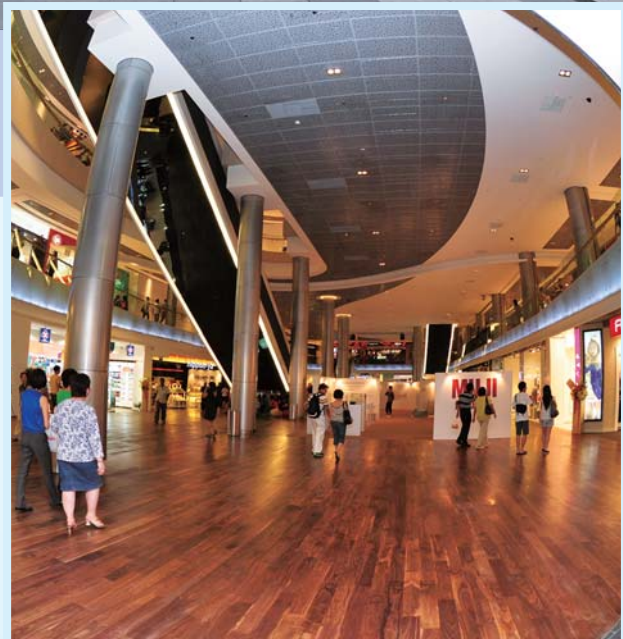
OVERSEAS PROJECTS



ION Orchard and the Orchard Residences (Singapore)

On Orchard Road, home to Singapore's most prestigious high-end shopping area, a new super high-rise building has risen. With a height of 218m and 56 stories above ground, the building is comprised of luxury condominiums and a shopping mall that extends from the 4th basement level to the 9th floor. And there is a direct link to Orchard MRT Station, the most heavily trafficked site on Orchard Road.

The shopping mall is sheathed in a metallic, curvilinear glass façade. When night falls, the exterior transforms into a light-covered media screen. Owing to its luxuriousness and originality, the development has already become an Orchard Road landmark that is gaining popularity around the world.



Overseas Projects: Fiscal 2009 Orders Received by Sector [Non-Consolidated]

We received orders for a shield construction project and a cruise terminal, both large-scale civil engineering projects that are part of Hong Kong's 10 major infrastructure projects. As a result, the share of orders received from Hong Kong grew considerably.

Hong Kong Institute of Vocational Education Lee Wai Lee Campus (Hong Kong)

Established in 1969, this venerable vocational training school sends 50,000 of its students into society each year. The completed facility, conceived of by a prominent French design firm (Coldefy & Associates Architectes Urbanistes), boasts a novel design consisting of four towers (56m in height, 11 stories).

The construction, particularly the steel construction, demanded execution with a high degree of difficulty, but we managed to earn high marks from both the client and consultants. The Company previously constructed an educational facility for the school's department of information systems.



Rendering of the completed Kai Tak Cruise Terminal (Hong Kong)



Rendering of the completed International Cruise Terminal (Singapore)

Construction of Representative Cruise Terminals for Asia in Two Countries

The Company is currently constructing cruise terminals in the two major Asian hubs of Hong Kong and Singapore to accommodate increasing demand for cruises and the growing size of passenger vessels.

In Hong Kong, we are constructing the Kai Tak Cruise Terminal. Designated as one of 10 major infrastructure projects and situated within a redevelopment area at the former Kai Tak Airport, the terminal will consist of two berths that will accommodate the world's largest luxury cruise ships.

In Singapore's Marina South district, which is undergoing continuing redevelopment as a new business area, we are proceeding with construction of the International Cruise Terminal. This facility will also allow the berthing of two large-scale cruise vessels.

Solar Power System in Abu Dhabi (UAE)

We completed a solar power system demonstration plant in Abu Dhabi, the capital of the United Arab Emirates. It is expected to provide a source of renewable energy that will allow for a reduction in greenhouse gases (CO₂), which are said to significantly influence global warming.

Abu Dhabi Future Energy Company (commonly known as Masdar) and Japan's Cosmo Oil Co., Ltd. are joint partners in the project, Mitsui Engineering & Shipbuilding Co., Ltd. is the EPC contractor, and our Company is engaged in construction cooperation.

This futuristic, unique-looking plant uses numerous primary mirrors (heliostats equipped with an automated guidance system) arrayed around the periphery that reflect the sun's rays, which are then concentrated onto large secondary mirrors on the center reflector. The secondary mirrors then reflect the rays again onto a solar furnace directly below, which uses high temperatures to drive a steam turbine and generate energy.

This solar power system demonstration plant will be used to conduct various performance evaluation tests, and the future construction of a large-scale plant of this type will be considered.



DOMESTIC CIVIL ENGINEERING



Connecting the caissons

Kinuura Port Final Waste Disposal Site (Aichi Prefecture)

The Company was in charge of seawall construction as part of the coastal disposal site construction project under way at Kinuura Port, Aichi Prefecture. It involved the manufacture and installation of eight giant hybrid caissons (90m long, 15m wide, 16.5-17.5m high) that were each the size of a high-rise building. This was the largest construction project in Japan of this type in terms of scale and quantity.

These huge caissons were manufactured some 60km from the

construction site and towed by sea over an eight-hour period to the construction site. We achieved a high precision of $\pm 5\text{cm}$ in the installation, ensuring construction quality.

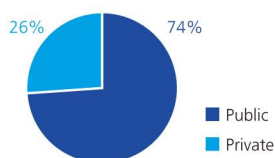
To ensure the impermeability of the disposal site, we used impermeable materials where the caissons meet the surface of the sea floor, including an environmentally conscious, soil-based impermeable material that the Company developed.

Kobato Tunnel (Yamagata Prefecture)

The Nihonkai-Engan Tohoku Expressway (Sea of Japan Coast Tohoku Expressway), which extends from Niigata Prefecture to Aomori Prefecture, runs along the Japan Sea side of the Tohoku Region. Along a stretch of the expressway undergoing improvements (a distance of 26km) between Atsumi and Tsuruoka in Yamagata Prefecture, the Company constructed the Kobato Tunnel (2,496m).

In consideration of the environment and work safety during construction, we introduced a continuous belt conveyor system to convey out excavated earth from the tunnel. As a result, the number of trips taken by dump trucks was significantly reduced, allowing for a reduction of approximately 26% in the amount of CO_2 generated.

Additionally, 100% of the excavated earth removed was used as embankment material within the construction site or in adjacent construction areas.



Domestic Civil Engineering: Fiscal 2009 Orders Received by Sector 【Non-Consolidated】

The decline in public works investment has continued, and orders received for domestic civil engineering projects decreased by 7% compared with the previous fiscal year. However, public construction projects increased in relative terms, because private sector investment fell sharply due to the decline in corporate earnings.

DOMESTIC BUILDING CONSTRUCTION



Asia Special Steel Co., Ltd./Kotobuki Industries Co., Ltd. Kitakyushu Factory (Fukuoka Prefecture)

The Hibikinada area of the Port of Kitakyushu in Fukuoka Prefecture serves as the gateway for shipping access from Japan to Asia. There, we completed the Asia Special Steel Co., Ltd./Kotobuki Industries Co., Ltd., Kitakyushu factory, which has a site area of approximately 140,000m². The factory has 13 buildings, including a 60-ton electric furnace steelmaking plant. The Company handled not only design and construction of the buildings and the foundation but also constructed

a dedicated pier.

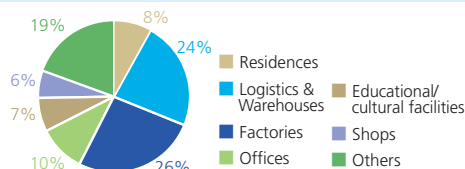
A short period of 11 months was given for the construction of the building, but through the teamwork of the people at the site, and the Company's wealth of technology, experience, and know-how regarding coastal and waterfront areas, we completed the factory in accordance with the client's requirements.



The Kashiwa Tower (Chiba Prefecture)

We completed a 190-unit condominium tower with 28 stories that is a 3-minute walk from the JR East Kashiwa Station in Chiba Prefecture. The condominium building, which is dramatically taller than surrounding structures, was planned as the lead project for the redevelopment of the East exit of Kashiwa Station. It is hoped that the building will become a new landmark for Kashiwa City.

The design of the living space, which skillfully utilizes the site and focuses on daylight and the living room, shows sensitivity toward the comfort of residents' daily lives. The project involved construction in a dense urban area, so we took steps to reduce noise and vibration and employed strict measures against debris, and thus strived to ensure safety management, smooth execution, and quality.



Domestic Building Construction: Fiscal 2009 Orders Received by Sector [Non-Consolidated]

Housing orders received declined significantly. This was due to a weakening of sentiment concerning supply and demand with regard to residential construction as a result of the economic slowdown, and the cancellation of orders received arising from the legal liquidation of condominium developers.

CORPORATE GOVERNANCE/CSR ACTIVITIES

Corporate Governance

Our Basic Stance on Corporate Governance

The Company positions effective Corporate Governance as a priority management issue for its enduring growth and development. And, with the goal of overall, Group-wide optimization, we are working to strengthen our Corporate Governance to enable the thorough implementation of management strategies, not only from the perspective of internal controls but also from a technological viewpoint. Specifically, we are implementing enhanced enterprise management-related audit and oversight functions, the promotion of risk management, and enhanced disclosure as policies of paramount importance.

Structure and Enhancement

Basic internal controls policies
and implementation of a practical
internal controls system

Adoption of an Executive
Officer System and Performance
Evaluation System

Effective Corporate Auditor audits,
internal audits and
financial statement audits

* For more on the status of our Corporate Governance efforts, please see the Company's website:

<http://www.penta-ocean.co.jp/english/company/management/index.html>

CSR Activities

CSR Policy

Penta-Ocean Construction Group views that its greatest contribution to society is the construction of superior infrastructure. We aim to be a respectable and highly attractive group of companies not only to our shareholders, customers, business partners and employees, but also to local communities by providing solid, quality workmanship backed by advanced technologies developed with a high regard for safety and ecological considerations.

Practice Honest
Corporate Conduct

Coexistence with the
Environment and Nature

Respect for Humanity

Information Transparency

Interacting with Society



We donated a school bus to a high school in the Federated States of Micronesia.



We participated in a research study on cicada shells in Sotobori Park.

We invited elementary school children on a field trip to our technology research center.



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
Orders received	¥296,046	¥368,262	¥395,083	¥334,236	¥270,184	\$2,903,955
Construction	296,046	368,262	395,083	334,236	270,184	2,903,955
Net sales	354,657	323,265	352,809	398,486	324,782	3,490,778
Construction	338,842	311,389	337,476	384,824	312,613	3,359,985
Development business and other	4,488	1,447	4,436	1,209	1,007	10,823
Other	11,327	10,429	10,897	12,453	11,162	119,970
Total assets	389,367	355,069	340,233	339,587	294,246	3,162,575
Net assets excluding minority interests	66,891	57,581	53,851	52,188	54,437	585,092
Ordinary income	11,341	2,078	5,097	7,073	7,734	83,126
Income (loss) before income taxes and minority interests	10,019	(11,890)	4,328	330	852	9,157
Net income (loss)	3,876	(5,858)	2,571	(3,337)	1,747	18,777
Cash dividends	—	—	—	—	491	5,277

Per share of common stock:	Yen					U.S. dollars
Net assets excluding minority interests	¥136.12	¥117.18	¥219.19	¥212.43	¥221.59	\$2.38
Net income (loss)	8.57	(11.92)	10.46	(13.58)	7.11	0.08
Cash dividends	—	—	—	—	2.00	0.02
Number of employees	3,557	3,464	3,414	3,335	3,280	

Notes:

- The amounts of orders received related to development business and other business are not stated on the above summary, because those amounts are small and do not have a material effect to respective total amounts.
- Figures in U.S. dollars are converted for convenience only, at the rate of ¥93.04 per U.S.\$1 prevailing on March 31, 2010.

FINANCIAL REVIEW

Business Performance

The Group experienced a significant decline in net sales during the consolidated fiscal year under review, recording ¥324,782 million (US\$3,490.8 million), a ¥73,704 million (US\$792.2 million) (18.5%) year-on-year decrease. Operating income was ¥10,799 million (US\$116.1 million), with the decline contained to ¥22 million (US\$0.3 million) (0.2%) compared to the prior consolidated fiscal year, while ordinary income amounted to ¥7,734 million (US\$83.1 million), an increase of ¥660 million (US\$7.1 million) (9.3%) compared to the prior consolidated fiscal year. The Group recorded extraordinary gains of ¥2,926 million (US\$31.4 million), including a ¥2,038 million (US\$21.9 million) gain on the valuation and sale of investment securities, but it posted extraordinary losses in the amount of ¥9,808 million (US\$105.4 million), which included a ¥4,644 million (US\$49.9 million) provision for doubtful accounts and a ¥1,511 million (US\$16.2 million) provision related to a voluntary retirement system. As a result, net income totaled ¥1,747 million (US\$18.8 million) (compared to a net loss of ¥3,337 million [US\$34.0 million] for the prior consolidated fiscal year).

Segment Information

In our Construction Business segment, the Japanese government's decision to partially suspend execution of a large supplementary budget affected public works investment in the domestic construction market, which is one of the Group's main business lines. In particular, the decline in government construction projects continued, and competition between businesses to secure orders remained severe. Furthermore, while a partial recovery was evident, overall housing investment remained weak due to factors such as a cooling of sentiment regarding supply and demand. Similarly, some businesses showed signs of improved earnings, yet capital investment in private non-housing projects remained sluggish. Overseas, the Group's business was affected by the global financial contraction and the economic downturn. The speed of project execution slowed, but in

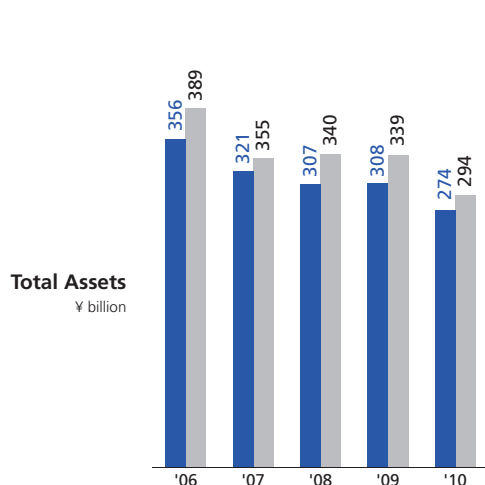
the Group's main overseas market of Southeast Asia, an economic recovery was relatively quick to take hold. In a continuation of the trend seen the prior fiscal year, infrastructure projects, including those for ports, railroads, and schools, were strong. Amid conditions such as these, construction revenues amounted to ¥312,751 million (US\$3,361.5 million), a ¥72,234 million (US\$776.4 million) (18.8%) decline from the prior consolidated fiscal year; however, operating income totaled ¥10,623 million (US\$114.2 million), an increase of ¥447 million (US\$4.8 million) (4.4%) compared to the prior consolidated fiscal year.

Our Development Business segment recorded net sales of ¥1,275 million (US\$13.7 million), a decline of ¥199 million (US\$2.2 million) (13.5%) compared to the prior consolidated fiscal year, due to factors including the deterioration of the domestic real estate market. The operating loss totaled ¥1,028 million (US\$11.1 million) (compared to a loss of ¥401 million [US\$4.3 million] in the prior consolidated fiscal year).

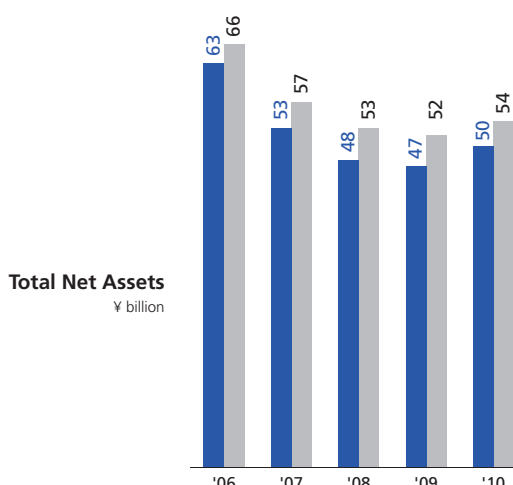
In the Group's Other Business segment, which consists primarily of shipbuilding, construction materials sales/equipment leasing, and the leasing of vessels, net sales totaled ¥18,754 million (US\$201.6 million), a decline of ¥1,331 million (US\$14.3 million) (6.6%) compared to the prior consolidated fiscal year. However, operating income for the segment came to ¥1,154 million (US\$12.4 million), a year-on-year increase of ¥112 million (US\$1.2 million) (10.8%). This result was due in part to an improved profit margin for the shipbuilding business, which accounts for the majority of the Other Business segment's net sales.

Orders Received and Contract Backlog

With regard to non-consolidated construction orders received, domestic civil engineering projects declined by ¥15,168 million (US\$163.0 million) from the prior fiscal year, as orders received for land-based construction projects decreased. Orders received for domestic building construction were ¥27,961 million (US\$300.5 million) lower than in the prior fiscal year, the result of a stagnant market coupled with the



■ Non-Consolidated
■ Consolidated



cancellation of orders for large-scale projects due to the legal liquidation of developers. Overseas, the Group received orders for large-scale civil engineering projects in Singapore and Hong Kong. However, total overseas orders received declined by ¥15,867 million (US\$170.5 million) year-on-year, as strong results recorded in the prior fiscal year led to a comparative decline. As a result of the foregoing, construction orders received in the period under review totaled ¥257,056 million (US\$2,762.9 million), for a decline of 18.7% year-on-year.

Financial Position

Total assets for the Group decreased by ¥45,341 million (US\$487.4 million) year-on-year to ¥294,246 million (US\$3,162.6 million). Accounts receivable from completed construction contracts and costs on uncompleted construction projects declined, and real estate for sale and development projects in progress decreased in line with the completion of development projects in which the Company participated, while cash and deposits increased. Total liabilities decreased by ¥45,979 million (US\$494.2 million) year-on-year to ¥239,780 million (US\$2,577.2 million) as the Group pushed ahead with the reduction of interest-bearing debt, long- and short-term loans payable decreased, and notes payable and accounts payable for construction contracts etc. declined. Owing to the recording of a consolidated net income for the year under review and a deficit disposition approved at the shareholders' meeting held in June 2009, retained earnings increased by ¥5,452 million (US\$58.6 million). However, minority interests, such as other companies' interests in the above-mentioned development projects in which the Company took part, declined. As a result of these factors, net assets increased by ¥639 million (US\$6.9 million) year-on-year to ¥54,466 million (US\$585.4 million).

Cash Flows

Cash flows from operating activities increased by ¥7,414 million (US\$79.7 million) (31.0%) compared with the prior consolidated fiscal year, for a net increase of ¥31,340 million (US\$336.8 million). While

net income before taxes and minority interests amounted to ¥852 million (US\$9.2 million) (¥330 million [US\$3.4 million] in the prior consolidated fiscal year), progress was made on the collection of funds related to advanced outlays for the cost of sales of completed construction contracts, primarily large-scale domestic and overseas construction projects.

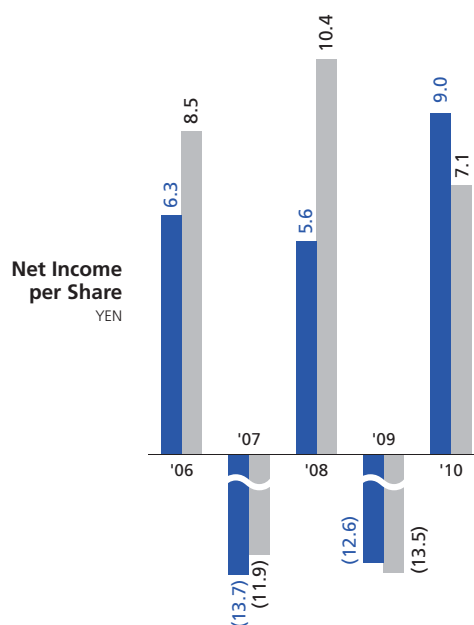
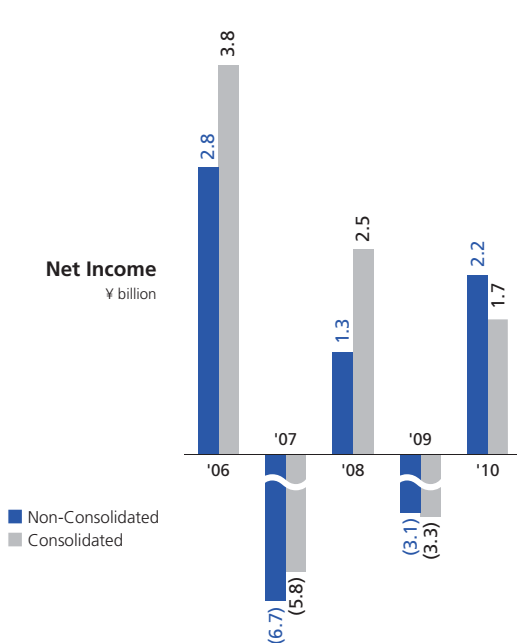
Cash flows from investing activities increased by ¥16,113 million (US\$173.2 million) (there was a net outlay of ¥10,607 million [US\$108.0 million] in the prior consolidated fiscal year) on the sale of investment securities, for a net increase of ¥5,506 million (US\$59.2 million).

Cash flows from financing activities underwent a ¥12,087 million (US\$130.0 million) increase in outlays compared to the prior consolidated fiscal year (there was a net outlay of ¥7,421 million [US\$75.5 million] in the prior consolidated fiscal year) due to the repayment of loans, for a net outlay of ¥19,508 million (US\$209.7 million).

As a result of the above, consolidated cash and cash equivalents as of the end of the consolidated fiscal year under review amounted to ¥55,931 million (US\$601.2 million), a year-on-year increase of ¥17,594 million (US\$189.1 million) (45.9%).

Dividends

The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, earnings performance, and other factors. Furthermore, the Company's policy is to utilize internal reserves toward investment in technological development, capital expenditures and other value-enhancing activities, and to reward shareholders through the future development of our business. Having given full consideration to earnings performance in the fiscal year under review, the progress made on strengthening fiscal health, and the future development of our business, the Company resumed its dividend for the first time in eight fiscal years, distributing a shareholder dividend of ¥2 per share.



CONSOLIDATED BALANCE SHEETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current assets:			
Cash and deposits	¥ 38,363	¥ 56,439	\$ 606,610
Short-term investment securities (Notes 3 (4), 4 and 5)	94	30	322
Trade receivables:			
Notes	5,001	2,742	29,471
Accounts	153,524	113,883	1,224,022
Inventories: (Note 3 (7))			
Costs on uncompleted construction contracts	15,802	12,066	129,686
Real estate for sale and development projects in progress	22,614	15,829	170,131
Other	2,467	1,963	21,098
Deferred tax assets (Note 15)	7,084	5,236	56,277
Other	3,265	4,066	43,703
Allowance for doubtful accounts (Note 3 (6))	(1,125)	(1,271)	(13,661)
Total current assets	247,089	210,983	2,267,659
Investments and other assets:			
Investment securities (Notes 3 (4), 4 and 5)	13,014	7,478	80,374
Long-term loans receivables	526	313	3,364
Deferred tax assets (Note 15)	8,656	10,089	108,437
Other	15,424	15,437	165,918
Allowance for doubtful accounts (Note 3 (6))	(4,421)	(7,561)	(81,266)
Total investments and other assets	33,199	25,756	276,827
Property, plant and equipment: (Note 3 (8))			
Land (Note 5)	35,934	35,069	376,924
Buildings and structures (Note 5)	31,665	31,625	339,908
Machinery, equipment and vehicles	18,939	19,126	205,568
Dredgers and vessels	49,891	49,880	536,113
Construction in progress	46	1,300	13,972
Total property, plant and equipment	136,475	137,000	1,472,485
Less: accumulated depreciation	(77,732)	(79,994)	(859,781)
Property, plant and equipment - net	58,743	57,006	612,704
Other (Note 3 (10))	556	501	5,385
Total assets	¥339,587	¥294,246	\$3,162,575

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current liabilities:			
Short-term loans payable (Note 6)	¥ 31,862	¥ 28,024	\$ 301,204
Current portion of long-term loans payable (Note 6)	37,795	25,657	275,763
Trade payable:			
Notes	26,786	22,607	242,982
Accounts	98,353	75,859	815,337
Advance received on uncompleted construction contracts	25,467	25,345	272,410
Deposits received	13,411	12,689	136,382
Income taxes payable	784	568	6,105
Provision for loss on construction contracts (Note 3 (12))	618	1,326	14,252
Provision for warranties for completed construction (Note 3 (13))	602	587	6,309
Provision for loss on voluntary retirement and other (Note 3 (16))	—	1,511	16,240
Other provision	1,624	1,092	11,737
Other	2,848	3,578	38,457
Total current liabilities	240,150	198,843	2,137,178
Noncurrent liabilities:			
Long-term loans payable (Note 6)	35,515	32,159	345,647
Provision for retirement benefits (Notes 3 (11) and 19)	592	350	3,762
Provision for directors' retirement benefits (Note 3 (14))	172	199	2,139
Provision for loss on development business (Note 3 (15))	1,020	9	97
Deferred tax liabilities for land revaluation (Note 17 (2))	7,200	7,156	76,913
Other	1,110	1,064	11,436
Total noncurrent liabilities	45,609	40,937	439,994
Total liabilities	285,759	239,780	2,577,172
Net assets: (Note 18)			
Shareholders' equity:			
Common stock	28,070	28,070	301,698
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2010 245,763,910 shares			
March 31, 2009 245,763,910 shares			
Capital surplus (Note 17 (1))	20,106	16,007	172,044
Retained Earnings	678	6,130	65,886
Less: Treasury Stock	(22)	(22)	(237)
Total shareholders' equity	48,832	50,185	539,391
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities (Note 17 (3))	(225)	248	2,666
Deferred gains (losses) on hedges	(30)	(5)	(54)
Revaluation reserve for land (Note 17 (2))	3,516	3,910	42,025
Foreign currency translation adjustment (Note 3 (2))	95	99	1,064
Total valuation and translation adjustments	3,356	4,252	45,701
Minority interests	1,639	29	312
Total net assets	53,827	54,466	585,404
Total liabilities and net assets	¥339,587	¥294,246	\$3,162,575
Commitments and contingent liabilities (Note 14)			

CONSOLIDATED STATEMENTS OF OPERATIONS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Construction business:			
Net sales	¥384,824	¥312,614	\$3,359,996
Cost of sales	357,283	284,787	3,060,910
Gross profit	27,541	27,827	299,086
Development business and other:			
Net sales	13,662	12,168	130,782
Cost of sales	12,327	11,336	121,840
Gross profit	1,335	832	8,942
Total:			
Total net sales	398,486	324,782	3,490,778
Total cost of sales	369,610	296,123	3,182,750
Total gross profit	28,876	28,659	308,028
Selling, general and administrative expenses	18,054	17,860	191,960
Operating income	10,822	10,799	116,068
Non-operating income:			
Interest and dividends	500	325	3,493
Other (Note 7)	395	443	4,762
	895	768	8,255
Non-operating expenses:			
Interest	3,094	2,784	29,923
Other (Note 8)	1,550	1,049	11,274
	4,644	3,833	41,197
Ordinary income	7,073	7,734	83,126
Extraordinary gain (Note 9)	1,061	2,926	31,448
Extraordinary loss (Note 10)	7,804	9,808	105,417
Income before income taxes and minority interests	330	852	9,157
Income taxes: (Notes 3 (20) and 15)			
Current	816	439	4,718
Deferred	2,862	304	3,268
	3,678	743	7,986
Minority interests	11	1,638	17,606
Net income (loss)	¥ (3,337)	¥ 1,747	\$ 18,777
Net income (loss) per share of common stock (Note 3 (17))			
	Yen		U.S. dollars
Primary	¥(13.58)	¥7.11	\$0.08

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2010

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	¥28,070	¥20,106	¥3,992	¥(20)	¥52,148
Changes of items during the period					
Net income (loss)			(3,337)		(3,337)
Reversal of revaluation reserve for land			23		23
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(3,314)	(2)	(3,316)
Balance at March 31, 2009	¥28,070	¥20,106	¥ 678	¥(22)	¥48,832

	Millions of yen						
	Valuation and translation adjustments					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2008	¥(1,973)	¥(33)	¥3,539	¥170	¥1,703	¥ 11	¥53,862
Changes of items during the period							
Net income (loss)							(3,337)
Reversal of revaluation reserve for land							23
Purchase of treasury stock							(2)
Net changes of items other than shareholders' equity	1,748	3	(23)	(75)	1,653	1,628	3,281
Total changes of items during the period	1,748	3	(23)	(75)	1,653	1,628	(35)
Balance at March 31, 2009	¥ (225)	¥(30)	¥3,516	¥ 95	¥3,356	¥1,639	¥53,827

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	¥28,070	¥20,106	¥ 678	¥(22)	¥48,832
Changes of items during the period					
Deficit disposition		(4,099)	4,099		
Net income			1,747		1,747
Reversal of revaluation reserve for land			(394)		(394)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(4,099)	5,452	(0)	1,353
Balance at March 31, 2010	¥28,070	¥16,007	¥6,130	¥(22)	¥50,185

	Millions of yen						
	Valuation and translation adjustments					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2009	¥(225)	¥(30)	¥3,516	¥95	¥3,356	¥1,639	¥53,827
Changes of items during the period							
Deficit disposition							
Net income							1747
Reversal of revaluation reserve for land							(394)
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	473	25	394	4	896	(1,610)	(714)
Total changes of items during the period	473	25	394	4	896	(1,610)	639
Balance at March 31, 2010	¥ 248	¥ (5)	¥3,910	¥99	¥4,252	¥ 29	¥54,466

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	\$301,698	\$216,101	\$ 7,287	\$(236)	\$524,850
Changes of items during the period					
Deficit disposition		(44,057)	44,057		
Net income			18,777		18,777
Reversal of revaluation reserve for land			(4,235)		(4,235)
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity	—	(44,057)	58,599	(1)	14,541
Total changes of items during the period	—	(44,057)	58,599	(1)	14,541
Balance at March 31, 2010	\$301,698	\$172,044	\$65,886	\$(237)	\$539,391

	Thousands of U.S. dollars						
	Valuation and translation adjustments					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2009	\$(2,418)	\$(322)	\$37,790	\$1,021	\$36,071	\$17,616	\$578,537
Changes of items during the period							
Deficit disposition							
Net income							18,777
Reversal of revaluation reserve for land							(4,235)
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	5,084	268	4,235	43	9,630	(17,304)	(7,674)
Total changes of items during the period	5,084	268	4,235	43	9,630	(17,304)	6,867
Balance at March 31, 2010	\$ 2,666	\$ (54)	\$42,025	\$1,064	\$45,701	\$ 312	\$585,404

CONSOLIDATED STATEMENTS OF CASH FLOWS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 330	¥ 852	\$ 9,157
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,697	3,951	42,466
Impairment loss	35	907	9,748
Increase (Decrease) in allowance for doubtful accounts	(2,217)	3,227	34,684
Increase (Decrease) in provision for retirement benefits	(517)	(242)	(2,601)
Interest and dividends income	(500)	(325)	(3,493)
Interest expense	3,340	2,817	30,277
Foreign exchange losses (gains)	913	(238)	(2,558)
Equity in (earnings) losses of affiliates	(4)	(46)	(494)
Loss (Gain) on sales of property, plant and equipment	(580)	(48)	(516)
Loss (Gain) on sales of investment securities	0	(2,037)	(21,894)
Loss on valuation of securities and investment securities	5,767	361	3,880
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable-trade	(8,355)	39,387	423,334
Decrease (Increase) in costs on uncompleted construction contracts	13,572	3,736	40,155
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	2,086	7,357	79,074
Increase (Decrease) in notes and accounts payable-trade	3,908	(29,239)	(314,263)
Increase (Decrease) in advances received on uncompleted construction contracts	(3,431)	(122)	(1,311)
Increase (Decrease) in other provision	869	675	7,255
Other, net	7,561	3,461	37,199
Subtotal	27,474	34,434	370,099
Interest and dividends income received	579	349	3,751
Interest expenses paid	(3,317)	(2,796)	(30,052)
Income taxes paid	(811)	(647)	(6,954)
Net cash provided by (used in) operating activities	23,925	31,340	336,844
Cash flows from investing activities:			
Purchase of short-term investment securities	(301)	(401)	(4,310)
Proceeds from sales of short-term investment securities	310	406	4,364
Purchase of investment securities	(2,847)	(227)	(2,440)
Proceeds from sales of investment securities	11	8,108	87,145
Purchase of property, plant and equipment	(2,499)	(2,569)	(27,612)
Proceeds from sales of property, plant and equipment	925	296	3,181
Payments of loans receivable	(1,179)	(40)	(430)
Collection of loans receivable	101	296	3,181
Proceeds for acquisition of shares of subsidiaries resulting in the change of consolidation scope	—	63	677
Payments for acquisition of shares of other affiliates resulting in the change of consolidation scope	(258)	—	—
Payments for investment to development business	(4,750)	—	—
Other, net	(120)	(426)	(4,577)
Net cash provided by (used in) investing activities	(10,607)	5,506	59,179

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(3,275)	(3,838)	(41,251)
Proceeds from long-term loans payable	27,400	22,301	239,693
Repayment of long-term loans payable	(30,952)	(37,795)	(406,223)
Cash dividends paid	(0)	(0)	(0)
Other, net	(594)	(176)	(1,892)
Net cash provided by (used in) financing activities	(7,421)	(19,508)	(209,673)
Effect of exchange rate change on cash and cash equivalents	(954)	256	2,751
Net increase (decrease) in cash and cash equivalents	4,943	17,594	189,101
Cash and cash equivalents at the beginning of the period	33,394	38,337	412,049
Cash and cash equivalents at the end of the period	¥38,337	¥55,931	\$601,150
(Note)(1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥38,363	¥56,439	\$606,610
Less-Time deposits with maturity over three months	(26)	(508)	(5,460)
Cash and cash equivalents (Note 3 (18))	¥38,337	¥55,931	\$601,150

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company. The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.\$1=¥93.04, the exchange rate prevailing on March 31, 2010. 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. Consolidation

(1) Scope of consolidation and application of equity method

The Company has twenty-seven subsidiaries and four affiliated companies at March 31, 2010.

The Company consolidated all subsidiaries and applied the equity method to three affiliated companies.

One affiliated company has been excluded from the scope of equity method, because its impact on consolidated financial statements was small and was not significant on the whole.

(2) Consolidation date

Consolidation date is March 31.

Closing date for the Company, eleven domestic subsidiaries and seven overseas subsidiaries including Penta-Ocean Dredging Panama is March 31.

Closing date for other eight overseas subsidiaries is December 31. The Company compiled the consolidated financial statements using

the financial statements of each company's closing date, and adjustments were made for any material difference incurred between the closing date and the consolidation date.

Also the closing date for one domestic subsidiary is November 30 and its financial statements have been temporarily made based on the consolidation date.

(3) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of subsidiaries are recorded at fair value upon acquisition. The difference between fair value and book value is allocated to Net assets.

(4) Good will and negative good will

Good will and Negative good will are amortized over five years by the straight-line method.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign cash are converted into yen at the exchange rate prevailing on the closing date. Non-monetary items denominated in foreign currencies are converted into yen at the historical rate. Held-to-maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the closing date, securities for purpose of sales and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition of the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value

estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition of the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustment in Net assets.

(3) Recognition of sales and cost of sales

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to

the estimated total cost (= cost proportion method) has been applied. For other construction projects, the completed-contract method has been applied.

(Change of accounting method-2009)

The Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However, since Accounting Standard Board of Japan Statement No. 15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts" both issued on December 27, 2007 have been able to apply effective fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the fiscal year ended March 31, 2009 and for the construction contracts commencing on and after April 1, 2009, the percentage-of-completion method has been applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method has been applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, Net sales has increased by ¥18,031 million and operating income, ordinary income and income before income taxes and minority interests increased by ¥1,220 million compared with previous accounting method.

The financial impact of this change on each segment is described in 21. Segment information.

(4) Investment securities

Held-to-maturity bonds are determined by the amortized cost method. Other securities with fair value are stated at fair value based on the market price at the closing date. Valuation differences are included in Net assets as valuation difference on available-for-sale securities, and cost of sales are determined by the moving average method.

Other investment securities with no fair value are stated at moving average cost.

(5) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(6) Allowance for doubtful accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual bad debt losses for general receivable and the individual estimated uncollectible amount for any specific doubtful receivables.

(7) Inventories

Inventories are stated at identified cost, except for raw materials and supplies which are stated at cost determined by the first-in

first-out method.

In the case that the net realizable value falls below the historical cost at the end of the period, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(8) Property, plant, equipment and Depreciation (Excluding Leased assets)

Property, plant and equipment are stated at cost and for the Company and domestic subsidiaries depreciation is calculated using the declining balance method, except for buildings (other than building fixtures) acquired on and after April 1, 1998, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

The Company and domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation tax law.

(9) Leased assets

For Leased assets under Finance lease transactions that transfer ownership, the depreciation expense is calculated based on the same depreciation method as is applied to fixed assets owned by the Company and subsidiaries.

For Leased assets under Finance lease transactions that do not transfer ownership, the depreciation expense is calculated under the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(Change of accounting method-2009)

Leased assets under Finance lease transactions that do not transfer ownership were previously accounted for in a manner similar to accounting treatment for ordinary rental transactions, however, effective from the fiscal year ended March 31, 2009, Accounting Standard Board of Japan Statement No. 13 "Accounting Standard for Lease Transactions" and Accounting Standard Board of Japan Guidance No. 16 "Guidance on Accounting Standard for Lease Transactions" both revised on March 30, 2007 have been adopted and the transactions are accounted for in a similar manner with ordinary sale and purchase transactions.

For lease transactions whose commencement day falls prior to the first year of implementation of this accounting standard, the method similar to that used for ordinary operating lease transactions continues to be used.

The effect of this change to operating income, ordinary income and income before income taxes was not material.

(10) Research and development costs, and computer software

Research and development costs are charged to income as incurred. Computer software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life.

(11) Provision for retirement benefits

Provision for retirement benefits is provided for on an accrual basis based on the projected benefit obligations and pension fund assets at end of the fiscal year.

However, in case the amount of pension fund assets exceeds the amount of retirement benefit obligations add/less unrecognized transition obligations and unrecognized actuarial gains or losses, the balance is recorded as Prepaid Pension Cost on the Investments and other assets. Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method (method to assume required payment amount based on voluntary termination of employment on the closing date as retirement benefit obligations).

Effects of the application of the new accounting standards for retirement benefits are equally amortized over fifteen years.

Prior service liabilities are recognized as an expense when incurred.

Actuarial gains or losses are equally amortized by the straight-line method over the average remaining employees' service years, which should be within 10 years and its amortization starts in the next year of the respective accrual years.

(Change of accounting method-2010)

Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 19, Partial Amendments to "Accounting Standard for Retirement Benefits" (Part3) revised on July 31, 2008 has been adopted.

Due to amortizing actuarial gain/loss from next fiscal year, there is no effect on operating income, ordinary income and income before income taxes and minority interests for this adoption. The unrecognized negative difference of retirement benefit obligations by adopting this accounting standard was ¥-269 million.

(12) Provision for loss on construction contracts

The Company provides provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for warranties for completed construction

The Company provides provision for the costs of repairs for damages related to completed construction works based on actual damages in the past and estimated amount of compensation for damages in the future.

(14) Provision for directors' retirement benefits

Some subsidiaries provide provision for retirement pay equal to the amount required if all directors and statutory auditors retired on the closing date.

(15) Provision for loss on development business

The Company provides provision for estimated losses on development business of subsidiaries and affiliates by considering contents and business plans and other aspects for each subsidiary and affiliates.

(16) Provision for loss on voluntary retirement and other

To provide provision for the expenses of extra retirement payments and related costs, due to execution of the voluntary early retirement program, estimated amount required in the future is calculated.

(17) Net income per share

Primary net income per share is calculated by the weighted average number of outstanding common stocks during the period.

Net income per share assuming full dilution is not presented because there were no potential stocks as of March 31, 2010.

(18) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short-term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.

(19) Hedge accounting

- 1) Derivative transactions are accounted for primarily using deferral hedge accounting.
- 2) Hedge instruments and hedged items
Hedge instruments are interest rate swap agreements and forward exchange contracts.
Hedged items are interest on bank loans and monetary 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 rate and forward exchange rates, respectively.
- 4) Evaluation of the effectiveness of hedge accounting
Control procedures for hedge transactions are executed according to the Company's bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluates the effectiveness of hedging.

(20) Income taxes

The Company and consolidated domestic subsidiaries declare corporation and other taxes 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 and consolidated domestic subsidiaries comprise (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 7.6 percent on taxable income after certain adjustments, and (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax. Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(21) Reclassifications

Certain amounts in prior year's consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

4. Investment securities

The composition of securities as of March 31, 2009 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Securities due within one year:			
Held-to-maturity bonds	¥ 1	¥ 1	\$ 11
Investment trust bills	93	29	311
Total	¥ 94	¥ 30	\$ 322
Investment securities:			
Held-to-maturity bonds	¥ 69	¥ 121	\$ 1,300
Investment trust bills	183	211	2,268
Stocks	12,762	7,146	76,806
Total	¥13,014	¥7,478	\$80,374

5. Pledged assets

(1) The following assets are pledged for fulfillment of construction contracts at March 31, 2009 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deposits	¥ —	¥158	\$1,698
Short-term investment securities	1	1	11
Investment securities	179	208	2,236
Total	¥180	¥367	\$3,945

(2) The following assets are in pledge to short-term bank loans at March 31, 2009 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Real estate for sale and development projects in progress (Trust beneficiary rights)	¥4,685	¥ —	\$ —
Land	67	67	720
Buildings	96	93	1,000
Total	¥4,848	¥160	\$1,720

6. Short-term and long-term loans payable

Short-term loans are represented primarily in the form of overdraft facility notes. The weighted average interest rates are 1.74% for the fiscal year 2009 and 1.59% for the fiscal year 2010, respectively. Long-term loans as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Long-term loans from banks and insurance companies maturing in 2014	¥73,310	¥57,816	\$621,410
(The weighted average interest rate is 3.17%.)			
Less: current portion of long-term loans	(37,795)	(25,657)	(275,763)
Net	¥35,515	¥32,159	\$345,647

The aggregate annual maturity of long-term loans after March 31, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2010	2010
Years ending March 31,			
2011	¥25,657		\$275,763
2012	19,570		210,340
2013	8,280		88,994
2014	3,175		34,125
2015 and after that	1,134		12,188
Total	¥57,816		\$621,410

7. Non-operating income

The composition of Non-operating income - other for the two years ended March 31, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Real estate rent	¥ 75	¥ 71	\$ 763
Equity in earnings of affiliates.....	4	47	506
Other	316	325	3,493
Total	¥395	¥443	\$4,762

8. Non-operating expenses

The composition of Non-operating expenses - other for the two years ended March 31, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Foreign exchange losses	¥ 640	¥ 288	\$ 3,095
Other	910	761	8,179
Total	¥1,550	¥1,049	\$11,274

9. Extraordinary gain

The composition of Extraordinary gain for the two years ended March 31, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Gain on prior period adjustments	¥ 26	¥ 497	\$ 5,342
Gain on sales of noncurrent assets	603	70	752
Gain on insurance adjustments	122	31	333
Gain on sales of investment securities	—	2,038	21,905
Reversal of allowance for doubtful accounts	220	288	3,095
Other	90	2	21
Total	¥1,061	¥2,926	\$31,448

10. Extraordinary loss

The composition of Extraordinary loss for the two years ended March 31, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Loss on prior period adjustments	¥ 41	¥ 3	\$ 32
Loss on valuation of investment securities	5,767	361	3,880
Impairment loss *1	35	907	9,749
Provision for loss on real estate development business	1,020	—	—
Loss on real estate development business	—	1,520	16,337
Provision for allowance for doubtful accounts	653	4,644	49,914
Provision for loss on voluntary retirement and other	—	1,511	16,240
Other	288	862	9,265
Total	¥7,804	¥9,808	\$105,417

*1 The Company recognized impairment loss for the following group of assets in the current fiscal year ended March 31, 2010

Location	Classification	Impairment loss
Kanto area	Common assets (2 objects)	Land and other ¥130 million (\$1,397 thousand)
Chubu area	Common assets (1 object)	Land and other ¥139 million (\$1,494 thousand)
Kansai area	Common assets (1 object)	Land and other ¥ 66 million (\$ 709 thousand)
Chugoku/Kyusyu area	Leased and other assets (4 objects)	Land and other ¥572 million (\$6,148 thousand)

The Company and consolidated subsidiaries have classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously.

Book values of above assets were written down to recoverable amounts due to following reasons.

The profitability of leased assets has been decreased due to the devaluation of land price. For common assets, management decision on disposal has been made and no alternative investment

has been planned.

The impairment loss (¥907 million [U.S.\$9,748 thousand]) was accounted for as the extraordinary loss.

The recoverable amounts related to the leased assets were measured by value in use calculated by discounting future cash flow and those related to the common assets were measured by net realizable amounts based on the the land value assessed for tax purposes or the contract amounts.

11. Research and development costs

Research and development costs charged to income are ¥940 million for the fiscal year 2009 and ¥852 million (U.S.\$9,157 thousand) for the fiscal year 2010.

12. Summary of finance lease transactions

The Company has entered into finance lease contracts on and before March 31, 2008. The finance lease transactions other than those where a title is transferred to the lessee are summarized as follows:

(1) Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and estimated value of assets leased by the Company are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Estimated acquisition costs			
Equipment	¥111	¥107	\$1,150
Vehicles	36	36	387
	147	143	1,537
Less: accumulated depreciation	(68)	(95)	(1,021)
Estimated value	¥ 79	¥ 48	\$ 516

(2) Future lease payments and accumulated impairment loss on leased assets as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Within one year	¥31	¥26	\$279
Over one year	50	24	258
Total	¥81	¥50	\$537

(3) Lease payments, reversal of accumulated impairment loss on leased assets, depreciation equivalents, interest expenses equivalents and impairment loss for the years ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease payments	¥53	¥32	\$344
Reversal of accumulated impairment loss on leased assets	14	—	—
Depreciation equivalents	49	31	333
Interest expense equivalents	2	1	11

13. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Company and its consolidated subsidiaries have entered into interest rate swap agreements and forward exchange contracts only for hedging risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the bylaw, which

clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

Hedge accounting is applied for all derivative financial transactions for the year ended March 31, 2009 and 2010 and accordingly fair value information is waived.

14. Commitments and contingent liabilities

As of March 31, 2010, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥1,478 million (U.S.\$15,886 thousand).

The Company also has the guarantee amounting to ¥1,030 million (U.S. \$11,071 thousand) to purchasers concerning deposits for

purchase of the condominium apartments.

The Company has agreements on commitment line with 30 banks totaling ¥36,000 million (U.S.\$386,930 thousand) for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2010.

15. Tax effect accounting

1. The significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets			
Net operating loss carried forward	¥ 7,816	¥ 6,895	\$ 74,108
Loss on valuation of real estate for sale	5,090	4,062	43,659
Employees' retirement benefits trust	1,712	2,750	29,557
Allowance for doubtful accounts	995	2,082	22,378
Impairment loss	586	781	8,394
Provision for bonuses	662	439	4,718
Provision for loss on voluntary retirement and other	—	615	6,610
Provision for loss on construction contracts	—	539	5,793
Other	4,300	1,701	18,283
Total: deferred tax assets	21,161	19,864	213,500
Less : valuation allowance	(5,084)	(4,164)	(44,755)
Deferred tax assets	¥16,077	¥15,700	\$168,745
Deferred tax liabilities			
Prepaid pension cost	¥ (274)	¥ (238)	\$ (2,558)
Other	(62)	(137)	(1,473)
Total: deferred tax liabilities	(336)	(375)	(4,031)
Net: deferred tax assets	¥15,741	¥15,325	\$164,714

2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rate after application of tax-effect accounting

	2009	2010
The statutory effective tax rate	40.69%	40.69%
(Adjustments)		
Permanent differences (expense)	276.29	86.33
Permanent differences (income)	(136.43)	(75.61)
Per capita levy on inhabitant tax	101.32	25.23
Consolidated adjustments	100.81	26.14
Increase in valuation allowance	783.54	(116.90)
Other	(52.27)	101.36
Actual burden tax rate after the application of tax effect accounting	1,113.95	87.24

16. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with sales and purchases, except for

tax-free transactions. Consumption tax is eliminated from sales and purchases stated in the statements of income.

17. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of common stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

Lands used for business purposes are revaluated on March 31, 2000 based on the "Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998)" and the "Partial Revision of the Law Concerning Land Revaluation (Law No.24, promulgated on March 31, 1999)." Relating to revaluation excess, the deferred tax on the revaluation is accounted for as a long-term deferred tax liabilities and the remaining revaluation difference is accounted for as revaluation reserve for land in net assets.

	Millions of yen	Thousands of U.S. dollars
	2009	2010
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥10,765	¥11,377
		\$122,281

Fair values were determined on the basis of Article 2 No. 4 and 5 of an Enforcement ordinance No. 119 of the Law concerning Land Revaluation promulgated on March 31, 1998.

This amounted to ¥248 million (U.S.\$2,666 thousand) gain as of March 31, 2010.

(3) Valuation difference on available-for-sale securities

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31.

(4) Restriction of dividends

It is regulated by the Japanese Corporate Law that the unrealized valuation difference from assets evaluated by fair value is not available for payment of dividends.

18. Authorized shares

The Articles of Incorporation provides that if retirement of shares is carried out, the corresponding number of shares must be deducted from authorized shares.

19. Retirement benefits

I. Retirement benefits obligations

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
a. Retirement benefit obligations	¥(32,189)	¥(30,096)	\$(323,474)
b. Pension fund assets	17,343	18,595	199,860
c. Unfunded retirement benefit obligations	(14,846)	(11,501)	(123,614)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	7,810	6,509	69,959
e. Unrecognized actuarial gain or loss	7,118	5,226	56,170
f. Net retirement benefit obligations	82	234	2,515
g. Prepaid pension cost	674	584	6,277
h. Provision for retirement benefits	¥ (592)	¥ (350)	\$ (3,762)

II. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
a. Service costs	¥1,162	¥1,136	\$12,210
b. Interest costs	677	668	7,180
c. Expected return on pension fund assets	(733)	(607)	(6,524)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302	1,302	13,994
e. Amortization of actuarial gain or loss	798	1,246	13,392
f. Retirement benefit costs	¥3,206	¥3,745	\$40,252

III. Calculation basis of retirement benefit obligations

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	2.20%
c. Expected return rate on pension fund assets	3.50%
d. Recognition term of prior service liabilities	Fully recognized as incurred
e. Amortization term of actuarial gain or loss	Actuarial gains or losses are amortized by the straight-line method over the average remaining employees' service years from the next year of the respective accrual years (almost 10 years)
f. Amortization term of effects of the application of the new accounting standards for retirement benefits	15 years

20. Financial instruments

(1) Policy for acquiring Financial instruments

The Company and consolidated subsidiaries have limited the instruments of fund investment to short term deposits and other, and relied on bank loans for fund procurement.

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Company and consolidated subsidiaries' bylaw has been applied to reduce the risk. Additionally notes receivable, accounts receivable from completed construction contracts and other in foreign currencies are exposed to foreign currency risk, and the Company enters into forward exchange contracts to hedge the risk.

Short-term investment securities and investment securities include mainly stocks, held-to-maturity bonds and investment trusts.

Those fair value, financial status of the issuers and so on are checked regularly. Accounts receivable-other are mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

Loans payable is mainly for procurement for operating funds and the Company enters into interest rate swap agreements and manages to fix its interest cost to hedge the risk from interest volatility related to long-term loans payable.

Execution and control of derivative transaction is held in accordance with the Company's bylaw where its purpose, action and control of such transaction are clearly stated and derivative transactions shall not be used for speculative purpose.

(2) Estimated fair value of financial instruments

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2010 are as follows;

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 56,439	¥ 56,439	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	101,618	101,572	(46)
(3) Short-term investment securities and investment securities	4,056	4,064	8
(4) Accounts receivable-other	15,006	15,006	—
Total Assets	¥177,119	¥177,081	¥(38)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥ 92,630	¥ 92,630	¥ —
(2) Short-term loans payable	28,024	28,024	—
(3) Long-term loans payable (*1)	57,816	58,019	203
Total Liabilities	¥178,470	¥178,673	¥203
Derivative transaction (*2)	¥ (8)	¥ (8)	—
	Thousands of U.S. Dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 606,610	\$ 606,610	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,092,197	1,091,702	(495)
(3) Short-term investment securities and investment securities	43,594	43,680	86
(4) Accounts receivable-other	161,285	161,285	—
Total Assets	\$1,903,686	\$1,903,277	\$(409)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	\$ 995,593	\$ 995,593	\$ —
(2) Short-term loans payable	301,204	301,204	—
(3) Long-term loans payable (*1)	621,410	623,592	2,182
Total Liabilities	\$1,918,207	\$1,920,389	\$2,182
Derivative transaction (*2)	\$ (86)	\$ (86)	—

(*1) Long-term loans payable includes the current portion of long-term loans payable.

(*2) The debit and credit balances recorded by derivative transaction are offset each other.

(Notes 1) Calculation method of financial instruments' fair value and securities and derivative transaction

Assets

(1) Cash and deposits, (4) Accounts receivable-other

Since these items are settled within the short term, the fair values are nearly equivalent to the book values, therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other

These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Short-term investment securities and investment securities

The fair value of stocks and bonds present the market values. Investment trust is the standard price released to public.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Short-term loans payable

Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(3) Long-term loans payable

The fair value of long-term loans payable is calculated by discount-

ing the total of principal and interest using interest rate calculated assuming the loan is newly made. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in case same loan is made.

Derivative transaction

It is forward exchange contracts, and fair value is calculated by using a forward exchange rate. However, the transactions that apply to a special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, it's fair value is included in the fair value of long-term loans payable.

(Notes 2) Since unlisted stocks and investments in silent partnership for development investment business (balance on consolidated balance sheet ¥3,452 million [U.S.\$37,102 thousand]) have no market value, are not able to estimate the future cash flow and are quite difficult to recognize the fair value, they are not included in "(3) Short-term investment securities and investment securities."

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 56,402	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	93,095	8,524	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	1	—	111	—
Corporate bonds	—	—	10	—
Other marketable securities with maturities				
Other	28	—	12	—
Accounts receivable-other	15,006	—	—	—
Total	<u>¥164,532</u>	<u>¥8,524</u>	<u>¥133</u>	<u>¥ —</u>
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	\$ 606,212	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,000,591	91,617	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	11	—	1,193	—
Corporate bonds	—	—	107	—
Other marketable securities with maturities				
Other	301	—	129	—
Accounts receivable-other	161,285	—	—	—
Total	<u>\$1,768,400</u>	<u>\$91,617</u>	<u>\$1,429</u>	<u>\$ —</u>

(Notes 4) The redemption schedule for long-term loans payable is disclosed in Notes 6.

(Additional Information)

Effective from the current fiscal year, Accounting Standard Board of

Japan Statement No. 10, "Accounting Standard for Financial instruments" and Accounting Standard Board of Japan Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial instruments" both issued on March 10, 2008 have been adopted.

21. Segment information

(1) Business segment

Business segment is primarily composed of the followings:

Construction.....	Civil engineering, construction
Development business	Sale or rental of real estate
Other	Sale of construction materials, leasing, shipbuilding and other

Millions of yen

Year ended March 31, 2009

	Construction	Development business	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥384,824	¥ 1,209	¥12,453	¥398,486	¥ —	¥398,486
Internal sales or transfer	161	266	7,633	8,060	(8,060)	—
Total	384,985	1,475	20,086	406,546	(8,060)	398,486
Operating expenses	374,809	1,876	19,043	395,728	(8,064)	387,664
Operating income	10,176	(401)	1,043	10,818	4	10,822
Assets	251,278	30,346	19,289	300,913	38,674	339,587
Depreciation	2,760	17	1,946	4,723	(26)	4,697
Impairment loss	25	—	10	35	—	35
Capital expenditures	2,128	—	511	2,639	—	2,639

Millions of yen

Year ended March 31, 2010

	Construction	Development business	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥312,613	¥ 1,007	¥11,162	¥324,782	¥ —	¥324,782
Internal sales or transfer	138	269	7,593	8,000	(8,000)	—
Total	312,751	1,276	18,755	332,782	(8,000)	324,782
Operating expenses	302,127	2,304	17,600	322,031	(8,048)	313,983
Operating income (loss)	10,624	(1,028)	1,155	10,751	48	10,799
Assets	206,727	21,488	17,696	245,911	48,335	294,246
Depreciation	2,593	15	1,362	3,970	(19)	3,951
Impairment loss	598	309	—	907	—	907
Capital expenditures	2,902	1	195	3,098	—	3,098

Thousands of U.S. dollars

Year ended March 31, 2010

	Construction	Development business	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	\$3,359,985	\$ 10,823	\$119,970	\$3,490,778	\$ —	\$3,490,778
Internal sales or transfer	1,483	2,892	81,610	85,985	(85,985)	—
Total	3,361,468	13,715	201,580	3,576,763	(85,985)	3,490,778
Operating expenses	3,247,281	24,764	189,166	3,461,211	(86,501)	3,374,710
Operating income (loss)	114,187	(11,049)	12,414	115,552	516	116,068
Assets	2,221,915	230,954	190,198	2,643,067	519,508	3,162,575
Depreciation	27,870	161	14,639	42,670	(204)	42,466
Impairment loss	6,427	3,321	—	9,748	—	9,748
Capital expenditures	31,191	11	2,096	33,298	—	33,298

Notes

(1) All operating expenses are allocated to the respective segments.

Assets which could not be allocated relate to the general administration division in the head office of the Company and subsidiaries and amount to ¥39,260 million at March 31, 2009 and ¥48,690 million (U.S.\$523,323 thousand) at March 31, 2010.

These principally consisted of cash and time deposits, securities, investment in securities and sundry assets.

(2) Change of Accounting Method-2009

As described in 3. Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However, since Accounting Standard Board of Japan Statement No. 15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No. 18 "Guidance

on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the fiscal year ended March 31, 2009 and for the construction contracts commencing on and after April 1, 2009, the percentage-of-completion method has been applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method has been applied. For other construction projects, the completed-contract method has been applied.

As a result of this change, in "Construction" segment, net sales has increased by ¥15,166 million (U.S.\$154,394 thousand) and operating income has increased by ¥946 million (U.S.\$9,638 thousand), in "Other" segment, net sales has increased by ¥2,864 million (U.S.\$29,166 thousand) and operating income has increased by ¥273 million (U.S.\$2,785 thousand) compared with previous accounting method.

(2) Geographic segment

Geographic segment is primarily composed of the followings:

Japan	
Southeast Asia	Singapore, Hong Kong and Vietnam
Others	Micronesia and Seychelles

Year ended March 31, 2009

	Millions of yen					
	Japan	Southeast Asia	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥313,997	¥77,240	¥ 7,249	¥398,486	¥ —	¥398,486
Internal sales or transfer	—	—	—	—	—	—
Total	313,997	77,240	7,249	398,486	—	398,486
Operating expenses	305,433	74,686	7,555	387,674	(10)	387,664
Operating income	8,564	2,554	(306)	10,812	10	10,822
Assets	241,681	53,307	5,340	300,328	39,259	339,587

Year ended March 31, 2010

	Millions of yen					
	Japan	Southeast Asia	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥246,586	¥74,555	¥3,641	¥324,782	¥ —	¥324,782
Internal sales or transfer	—	—	—	—	—	—
Total	246,586	74,555	3,641	324,782	—	324,782
Operating expenses	238,941	71,614	3,428	313,983	0	313,983
Operating income	7,645	2,941	213	10,799	0	10,799
Assets	199,373	44,291	1,891	245,555	48,691	294,246

Year ended March 31, 2010

	Thousands of U.S. dollars					
	Japan	Southeast Asia	Other	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	\$2,650,322	\$801,322	\$39,134	\$3,490,778	\$ —	\$3,490,778
Internal sales or transfer	—	—	—	—	—	—
Total	2,650,322	801,322	39,134	3,490,778	—	3,490,778
Operating expenses	2,568,153	769,712	36,845	3,374,710	0	3,374,710
Operating income	82,169	31,610	2,289	116,068	0	116,068
Assets	2,142,874	476,043	20,325	2,639,242	523,333	3,162,575

Notes

(1) All operating expenses are allocated to the respective segments.

Assets which could not be allocated relate to the general administration division in the head office of the Company and subsidiaries and amount to ¥39,260 million at March 31, 2009 and ¥48,690 million (U.S.\$523,323 thousand) at March 31, 2010.

These principally consisted of cash and time deposits, securities, investment in securities and sundry assets.

(2) Change of Accounting Method-2009

As described in 3. Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However, since Accounting Standard Board of Japan Statement No. 15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No. 18 "Guidance

on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1, 2009, the Company made an early adoption for these Accounting Standards from the fiscal year ended March 31, 2009 and for the construction contracts commencing on and after April 1, 2009, the percentage-of-completion method has been applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method has been applied. For other construction projects, the completed-contract method has been applied.

As a result of this change, in "Japan" Segment, net sales has increased by ¥16,654 million (U.S.\$169,548 thousand) and operating income has increased by ¥1,321 million (U.S.\$13,450 thousand), in "Other" Segment, net sales has increased by ¥1,376 million (U.S.\$14,012 thousand) and operating income has decreased by ¥100 million (U.S.\$1,026 thousand) compared with previous accounting method.

(3) Overseas sales

Year ended March 31, 2009

	Millions of yen		
	Southeast Asia	Other	Total
Overseas sales	¥77,240	¥7,249	¥ 84,489
Consolidated sales			¥398,486
Proportion of overseas sales to consolidated sales	19.4%	1.8%	21.2%

Year ended March 31, 2010

	Millions of yen		
	Southeast Asia	Other	Total
Overseas sales	¥74,555	¥3,641	¥ 78,196
Consolidated sales			¥324,782
Proportion of overseas sales to consolidated sales	23.0%	1.1%	24.1%

Year ended March 31, 2010

	Thousands of U.S. dollars		
	Southeast Asia	Other	Total
Overseas sales	\$801,322	\$39,134	\$ 840,456
Consolidated sales			\$3,490,778
Proportion of overseas sales to consolidated sales	23.0%	1.1%	24.1%

Segments of countries or areas are set up on the basis of geographical closeness.

Principal countries and areas included in each category

Southeast Asia	Singapore, Hong Kong and Vietnam
Other	Micronesia and Seychelles

Change of Accounting Method-2009

As described in 3. Summary of significant accounting policies (3), the Company previously recognized revenue by the percentage-of-completion method for the construction projects with condition that the contract amount was more than ¥100 million and also the contract period was over 1 year, and by the completed-contract method for other construction projects.

However, since Accounting Standard Board of Japan Statement No. 15 "Accounting Standard for Construction Contracts" and Accounting Standard Board of Japan Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts" both issued December 27, 2007 are able to apply for fiscal years before April 1,

2009, the Company made an early adoption for these Accounting Standards from the current fiscal year and for the construction contracts commencing from the current fiscal year, the percentage-of-completion method shall be applied for construction projects, if the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, cost proportion method shall be applied. For other construction projects, the completed-contract method shall be applied.

As a result of this change, Overseas sales for "Other" has increased by ¥1,376 million (U.S.\$14,012 thousand), and Overseas Sales Total has increased by ¥1,376 million (U.S.\$14,012 thousand) compare with previous accounting method.

22. Related party transactions

For the year ended March 31, 2009

None

For the year ended March 31, 2010

None

23. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2009	2010	2010
Net assets per share	¥212.43	¥221.59	\$2.38
Net income (loss) per share	(13.58)	7.11	0.08
Diluted net income per share	—	—	—

2. For the year ended March 31, 2009, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none and net loss per share is recorded.

For the year ended March 31, 2010, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none.

24. Significant subsequent event

For the year ended March 31, 2009

The Company's client, Joint Corporation Co, Ltd., has applied for Corporate Reorganization Law to Tokyo District Court on May 29, 2009 and the application has been accepted.

The Company's amount of claim to this company was ¥20 million on the same date.

In the next fiscal year, the Company will book the allowance for

doubtful account to the uncollectible amount of the claim.

Currently the Company has two on going construction projects for Joint Corporation and the amounts of the sales of the projects have not been fixed.

Regarding these construction projects, the Company shall take necessary actions to preserve these project claims.

For the year ended March 31, 2010

None

Report of Independent Auditors

The Board of Directors

PENTA-OCEAN CONSTRUCTION CO., LTD.

We have audited the accompanying consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3(3), effective the year ended March 31, 2009, the Company adopted a new accounting standard for the construction contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. 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 consolidated financial statements.

June 29, 2010



Ernst & Young ShinNihon LLC

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
Orders received	¥276,497	¥347,389	¥375,945	¥317,829	¥257,950	\$2,772,463
Civil engineering	135,405	149,595	205,839	194,839	167,275	1,797,883
Architectural engineering	139,057	193,416	167,756	121,212	89,780	964,961
Development business and other	2,035	4,378	2,350	1,778	895	9,619
Net sales	318,960	289,270	317,856	366,553	297,438	3,196,883
Civil engineering	171,437	152,937	167,482	201,705	185,758	1,996,539
Architectural engineering	142,864	134,636	145,045	163,653	110,497	1,187,629
Development business and other	4,659	1,697	5,329	1,195	1,183	12,715
Contract backlog	356,623	420,384	474,371	406,042	366,094	3,934,802
Civil engineering	246,554	248,469	283,685	262,343	243,919	2,621,657
Architectural engineering	109,771	168,935	190,686	143,116	121,881	1,309,985
Development business and other	298	2,980	0	583	294	3,160
Total assets	356,148	321,606	307,211	308,078	274,733	2,952,848
Net assets	63,772	53,574	48,710	47,339	50,043	537,865
Ordinary income	9,585	466	3,081	7,081	7,849	84,362
Income (loss) before income taxes	7,786	(13,503)	2,810	66	2,518	27,064
Net income (loss)	2,855	(6,744)	1,390	(3,116)	2,228	23,947

Per share of common stock:	Yen					U.S. dollars
Net assets	¥129.77	¥109.02	¥198.26	¥192.69	¥203.70	\$2.19
Net income (loss)	6.31	(13.72)	5.66	(12.68)	9.07	0.10
Number of employees	2,880	2,838	2,778	2,731	2,674	

Note:

1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥93.04 per U.S.\$1 prevailing on March 31, 2010.

NON-CONSOLIDATED BALANCE SHEETS

Penta-Ocean Construction Co., Ltd.
As of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current assets:			
Cash and deposits	¥ 32,078	¥ 49,046	\$ 527,150
Short-term investment securities	95	30	322
Trade receivables:			
Notes	3,085	1,642	17,648
Accounts	144,798	106,339	1,142,939
Subsidiaries and affiliates	4,308	4,070	43,745
Inventories:			
Costs on uncompleted construction contracts	14,601	10,953	117,724
Real estate for sale and development projects in progress	16,033	15,114	162,446
Raw materials and supplies	1,077	810	8,706
Deferred tax assets	6,786	5,052	54,299
Other	2,667	3,716	39,939
Allowance for doubtful accounts	(923)	(1,036)	(11,135)
Total current assets	224,605	195,736	2,103,783
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	2,502	5,870	63,091
Investment securities	12,841	7,175	77,117
Long-term loans receivable	143	138	1,483
Deferred tax assets	8,319	9,909	106,503
Other	14,857	15,033	161,576
Allowance for doubtful accounts	(4,046)	(7,379)	(79,310)
Total investments and other assets	34,616	30,746	330,460
Property, plant and equipment:			
Land	34,323	33,425	359,254
Buildings and structures	29,518	29,324	315,176
Machinery, equipment and vehicles	13,972	14,428	155,073
Dredgers and vessels	24,094	24,349	261,705
Construction in progress	45	1,299	13,962
Other	58	111	1,193
Total property, plant and equipment	102,010	102,936	1,106,363
Less: Accumulated depreciation	(53,654)	(55,143)	(592,681)
Property, plant and equipment - net	48,356	47,793	513,682
Other:	501	458	4,923
Total assets	¥308,078	¥274,733	\$2,952,848

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current liabilities:			
Short-term loans payable			
Bank	¥ 26,960	¥ 25,850	\$ 277,837
Current portion of long-term loans payable	31,662	25,598	275,129
Trade payable:			
Notes	17,660	13,393	143,949
Accounts	91,466	70,745	760,372
Subsidiaries and affiliates	7,739	5,857	62,951
Advance received on uncompleted construction contracts	23,508	24,159	259,663
Deposits received	12,587	12,390	133,169
Income taxes payable	343	299	3,214
Provision for loss on construction contracts	450	1,317	14,154
Provision for warranties for completed construction	565	557	5,987
Provision for loss on voluntary retirement and other	—	1,485	15,961
Other provision	1,400	888	9,544
Other	1,979	2,362	25,387
Total current liabilities	216,319	184,900	1,987,317
Noncurrent liabilities:			
Long-term loans payable	35,435	32,138	345,421
Provision for retirement benefits	221	—	—
Deferred tax liabilities for land revaluation	7,200	7,156	76,913
Other	1,564	496	5,332
Total noncurrent liabilities	44,420	39,790	427,666
Total liabilities	260,739	224,690	2,414,983
Net assets:			
Common stock	28,070	28,070	301,698
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2010 245,763,910 shares			
March 31, 2009 245,763,910 shares			
Capital surplus			
Legal capital surplus	10,000	10,000	107,481
Other capital surplus	10,106	6,007	64,563
Total capital surplus	20,106	16,007	172,044
Retained earnings			
Retained Earnings brought forward	(4,099)	1,834	19,712
Total retained earnings	(4,099)	1,834	19,712
Less: Treasury stock	(22)	(22)	(236)
Valuation difference on available-for-sale securities	(223)	249	2,676
Deferred gains (losses) on hedges	(9)	(5)	(54)
Revaluation reserve for land	3,516	3,910	42,025
Total net assets	47,339	50,043	537,865
Total liabilities and net assets	¥308,078	¥274,733	\$2,952,848

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Penta-Ocean Construction Co., Ltd.
For the two years ended March 31, 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Construction business:			
Net sales	¥365,358	¥296,255	\$3,184,168
Cost of sales	339,140	269,885	2,900,742
Gross profit	26,218	26,370	283,426
Development business and other:			
Net sales	1,195	1,183	12,715
Cost of sales	1,514	1,997	21,464
Gross profit (loss)	(319)	(814)	(8,749)
Total:			
Total net sales	366,553	297,438	3,196,883
Total cost of sales	340,654	271,882	2,922,206
Total gross profit	25,899	25,556	274,677
Selling, general and administrative expenses	16,204	16,271	174,881
Operating income	9,695	9,285	99,796
Non-operating income:			
Interest and dividends income	483	315	3,386
Interest and dividends income from subsidiaries and affiliates	1,055	1,719	18,476
Other	315	324	3,482
	1,853	2,358	25,344
Non-operating expenses:			
Interest expenses	3,103	2,780	29,880
Other	1,364	1,014	10,898
	4,467	3,794	40,778
Ordinary income	7,081	7,849	84,362
Extraordinary gain	530	2,761	29,675
Extraordinary loss	7,545	8,092	86,973
Income before income taxes	66	2,518	27,064
Income taxes:			
Current	317	259	2,784
Deferred	2,865	31	333
	3,182	290	3,117
Net income (loss)	¥ (3,116)	¥ 2,228	\$ 23,947
Net income (loss) per share of common stock			
	Yen		U.S. dollars
Primary	¥(12.68)	¥9.07	\$0.10
Assuming full dilution	—	—	—

COMPANY DATA

(As of March 31, 2010)

Company Outline

Company Name	Penta-Ocean Construction Co., Ltd.
Established	April 1896
Head Office	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥28,070 million (US\$301.7 million)
Employees	2,674
Website	www.penta-ocean.co.jp

Board of Directors and Auditors

(As of June 29, 2010)

President and Representative Director

Yoshio Murashige

Representative Director

Hayuru Tsuda

Directors

Kiyoshi Ida	Kosuke Kondo	Yoshihisa Takimoto
Sumio Yamashita	Kunihiko Sasaki	Shin Shiotani*

Corporate Auditors

Hirosuke Kawamoto	Terumi Tawara	Kaoru Kurokawa*
Masatami Sasano*	Kazunori Kameyama*	

* Indicates an external director or external corporate auditor

Penta-Ocean Construction Group

Consolidated Subsidiaries

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Obama Marine Co., Ltd.	Nagasaki, Japan
Coast Creation General Corporation Aggregate	Tokyo, Japan
New Port development LLC	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Siam Goyo Co., Ltd.	Thailand
Thai Penta-Ocean Co., Ltd.	Thailand
Penta-Ocean Construction (Hong Kong) Ltd.	Hong Kong
Nicosia Co., Ltd.	Hong Kong
Brichwood Co., Ltd.	Hong Kong

Penta-Ocean Dredging Panama Inc.	Panama
Cosmo Transport Panama Inc.	Panama
Gloria Transport Inc.	Panama
Reina Del Mar Transport Inc.	Panama
Vient Del Mar Transport Inc.	Panama
Belleza Del Mar Transport Inc.	Panama
Sol Del Mar Transport Inc.	Panama
Angkutlaut Ltd.	Malaysia
Penta-Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Equity Affiliates

Haneda Airport International Airline Apron PFI	Tokyo, Japan
Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan
Chuo Marine Industries Co., Ltd.	Tokyo, Japan

Non-Equity Affiliate

Matsuyama Environmental Technology Co., Ltd.	Ehime, Japan
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Penta-Ocean Construction Network



1 HEAD OFFICE

2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan
Tel: 81-3-3817-7181 Fax: 81-3-3817-7642

2 SINGAPORE OFFICE

1 Kim Seng Promenade #13-01/02, Great World City, East Tower, Singapore 237994
Tel: 65-6338-8966 Fax: 65-6337-0987

3 HONG KONG OFFICE

Unit 601, K Wah Center, 191 Java Road, North Point, Hong Kong
Tel: 852-2833-1098 Fax: 852-2572-4080

4 VIETNAM OFFICE

4th Floor, 18 Tran Hung Dao Street, Hanoi, Vietnam
Tel: 84-4-824-1360 Fax: 84-4-824-1444

5 INDONESIA OFFICE

Mid Plaza II, 24th Floor, JL. Jenderal Sudirman Kav. 10-11, Jakarta 10220, Indonesia
Tel: 62-21-570-5484 Fax: 62-21-570-5485

6 MALAYSIA OFFICE

508, 5th Floor, Block A, Kelana Business Centre 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 60-3-7492-2208 Fax: 60-3-7492-2209

7 EGYPT OFFICE

27 El Falah Street, off Shehab Street, Flat No. 5, 2nd Floor, Mohandeseen, Giza, Egypt
Tel: 20-2-3345-3207 Fax: 20-2-3345-3206

8 COLOMBO OFFICE

P.O. Box 383, No. 3-2, CBM House No. 2A, Lake Drive, Colombo 8, Sri Lanka
Tel: 94-11-2690316 Fax: 94-11-2671944

9 MANILA OFFICE

Unit A1, 2nd Floor Almeda Arcade, 1014 Pasay Road, Makati City, Philippines
Tel: 63-2-752-8997 Fax: 63-2-752-8996

10 BANGKOK OFFICE

11th Floor, Room 1106, Vanit II Building, 1126/2, New Petchburi Road, Makkasan Rajthevee, Bangkok 10400, Thailand
Tel: 66-2-655-2183 Fax: 66-2-655-2185

11 DUBAI OFFICE

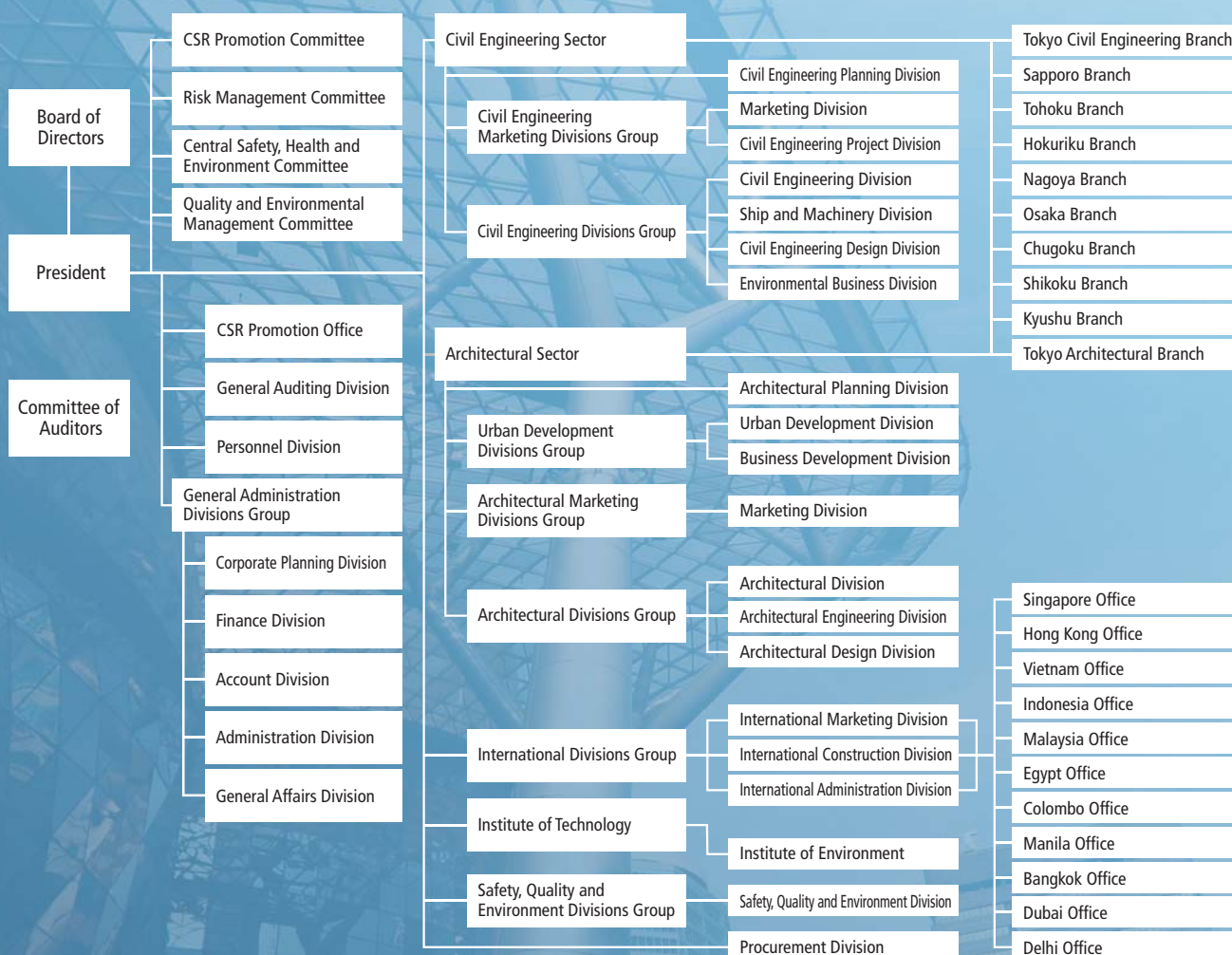
P.O. Box 118791, Unit 317, Al Attar Shopping Mall, Karama, Dubai, U.A.E.
Tel: 971-4-335-8741 Fax: 971-4-335-8742

12 DELHI OFFICE

No. 402, 4th Floor, Time Tower, Mehrauli Gurgaon Road, Gurgaon-122002, Haryana, India

Organization Chart

(As of July 1, 2010)



Investor Information

(As of March 31, 2010)

Fiscal Year	March 31 of each year
Common Stock	Authorized: 599,135,000 Issued: 245,763,910
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	45,179
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo 168-8507, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	14,015	5.7
Mizuho Corporate Bank, Ltd.	7,059	2.9
Meiji Yasuda Life Insurance Co.	6,656	2.7
The Master Trust Bank of Japan (Trust Account)	6,407	2.6
Sompo Japan Insurance Inc.	6,113	2.5
CBNY DFA INT'L CAP VALUE PORTFOLIO	4,144	1.7
Penta-Ocean Employee Stock Ownership Plan	4,100	1.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.6
Mizuho Trust & Banking Co., Ltd.	3,470	1.4
The Hiroshima Bank, Ltd.	2,546	1.0



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