

Construction Market Outlook

Short-Term Outlook

- **Public Works Projects:**
Declining trend; selection and focus; heavy allocation to sectors related to public comfort and safety, such as disaster prevention and national land conservation
- **Private-Sector Demand:**
Economic recovery signs had emerged, but demand subsided again due to impact of the major earthquake
- **Large-Scale Projects:**
Haneda Airport expansion project completed in the fiscal years ended March 31, 2011-2013
- **Overseas:**
Southeast Asia to continue brisk growth with projects such as the MRT in Singapore and 10 major projects in Hong Kong

Medium-Term Prospects

- **Public Works Projects:**
Public Works Projects: Declining trend will ease, but growth cannot be expected; further selection and concentration of business
- **Private-Sector Demand:**
Gradual economic recovery, growth in capital investment and recovery of housing market, but with disparities among industries, firms and regions
- **Large-Scale Projects:**
Progress on projects such as airport/harbor hubs, preservation of remote islands, the Linear Chuo Shinkansen (bullet train) and environment-related works
- **Overseas:**
Singapore and Hong Kong remain strong; new business opportunities in Southeast and South Asia

Time of technology and price competition in which only firms with superior technology and project planning skills can survive

Target Firm Image

“No. 1 Contractor in Coastal and Waterfront Areas”

Transition from general contractor model to core business-integrated model

Great East Japan Earthquake Recovery & Restoration Initiatives

Mission of the construction industry

Preserve Japan’s lands and protect the safety and comfort of Japan’s citizens, by building infrastructure that is essential for people’s daily activities

Policy of the Penta-Ocean Group

To fulfill the mission of the construction industry, the Penta-Ocean Construction Group will devote its full capabilities to the recovery and restoration from the major earthquake

Basic Management Policies

1. Maintain business volume

– Maintain present business volume, avoid a diminishing equilibrium –

- 1) Maintain present business volume
- 2) Business orientation
Marine civil engineering works: Maximize profit, approach future projects proactively
Building Construction: Narrow down regions and sectors, build organization capable of overcoming competition
Overseas: Gradual expansion centered on countries with branch offices (Singapore, Hong Kong, Vietnam)
- New sectors: Begin commercializing feasible projects within 3 years

2. Build competitiveness

– Outperform the competition, increase market share –

- 1) Build competitiveness through technology
- 2) Build competitiveness by upgrading construction capabilities
- 3) Build an organization that is unbeatable in total cost competition

3. Further improve quality of operations

– Corporate management begins with quality –

- 1) Strengthen technological capabilities
- 2) Revitalize in-house employee training and organization
- 3) Improve operating effectiveness and revise direct/indirect expense ratio through integration of back-office sections
- 4) Strengthen managerial systems for overseas risks

4. Enter new fields, undertake capital investment

– Continued investment for growth –

- 1) Expand from the construction and contracting business into peripheral sectors
- 2) Implement continuous capital investment to bolster construction capabilities
- 3) Actively cooperate with different industries, research laboratories

5. Strengthen the operating base

– Firm up the foundation for further growth –

- 1) Increase return on equity
- 2) Effectively utilize and steadily sell asset holdings
- 3) Continuously reduce interest-bearing debt, and diversify and stabilize funding sources

Earnings Targets under Our Management Plan

(¥ billion)

| | Medium-Term Management Plan (2012-2014) | | | |
|---------------------------------------|---|------------------|----------------|------------------|
| | 2012 Plan | | 2014 Plan | |
| | Consolidated | Non-consolidated | Consolidated | Non-consolidated |
| Earnings Targets | | | | |
| Construction Orders Received | ¥ – | ¥300.0 | ¥ – | ¥305.0 |
| Net Sales | 327.0 | 306.0 | 327.0 | 306.0 |
| Gross Profit | 24.6 | 22.8 | 25.3 | 23.5 |
| SG&A | 15.1 | 13.8 | 14.8 | 13.5 |
| Operating Income | 9.5 | 9.0 | 10.5 | 10.0 |
| Ordinary Income | 7.4 | 7.0 | 8.4 | 8.0 |
| Net Income | 2.1 | 2.0 | 2.6 | 2.5 |
| Earnings Per Share (YEN) | 7 or greater | | 9 or greater | |
| Consolidated Financial Targets | | | | |
| ROE | 22% or greater | | 23% or greater | |
| Interest-Bearing Debt | ¥77.2 or less | | ¥67.2 or less | |
| D/E Ratio | 1.2 x or less | | 1.0 x or less | |

Shareholder Dividend

- Stable shareholder dividend
- Planned 2012 year-end dividend: ¥2 per share

Major Targets for 2014 (Consolidated)

- Ordinary Income: ¥8.4 billion or greater
- Net Income: ¥2.6 billion or greater
- EPS: ¥9 or greater
- ROE: 23% or greater

Major Operating Trends/Plan (Consolidated)

