

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2017

November 11, 2016

The following statements are an English-language translation of the original Japanese-language documents.
(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of listed company: **Penta-Ocean Construction Co., Ltd.**

Stock exchange: **Tokyo, Nagoya**

Code number: **1893**

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

Representative

Title: **President, Chief Executive Officer and Representative Director**

Name: **Takuzo Shimizu**

Contact

Title: **Executive Officer, General Manager, Head of Accounting Division**

Name: **Syunji Kitahashi**

Tel: **03-3817-7619**

Schedule of financial statement reporting date: November 14, 2016

1. Business results for the fiscal year ending March 2017 (Apr. 1, 2016- Sep. 30, 2016)

(1) Consolidated business results

Note: All amounts are rounded down to the nearest million Yen. Percentage indicate changes from the previous term.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)
FY3/17 2Q	241,194	5.4	11,670	38.2	10,632	37.1	6,769	51.0
FY3/16 2Q	228,838	25.0	8,445	163.6	7,754	125.3	4,482	123.2

Note: Comprehensive income (Millions of Yen) Sep. 30, 2016 term: 7,011 (72.4%) Sep. 30, 2015 term: 4,066 (76.2%)

	Earnings per share	Earnings per share (diluted)
	(Yen)	(Yen)
FY3/17 2Q	23.68	-
FY3/16 2Q	15.68	-

(2) Consolidated financial position

	Total assets	Total net assets	Total net assets/ total assets
	(Millions of Yen)	(Millions of Yen)	(%)
Sep. 30, 2016	348,378	85,952	24.7
Mar. 31, 2016	378,766	80,656	21.3

Reference: Shareholders' Equity (Millions of Yen) Sep. 30, 2016: 85,887 Mar. 31, 2016: 80,587

2. Dividends

	Dividends per share (Yen)				
	As of 1Q-end	As of 2Q-end	As of 3Q-end	As of Fiscal Year-end	Full year
FY3/16	-	-	-	6.00	6.00
FY3/17	-	-	-	-	-
FY3/17 (Forecast)	-	-	-	9.00	9.00

Note: Revision made in the forecast dividend as of the end of the current quarter: None

3. Earnings forecasts for fiscal year ending March 2017 (Apr. 1, 2016 - Mar. 31, 2017)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(Millions of Yen, %)	(%)	(Millions of Yen, %)	(%)	(Millions of Yen, %)	(%)	(Millions of Yen, %)	(%)	(Yen)
Entire term	518,000	5.4	21,500	4.3	20,500	5.6	11,500	47.3	40.22

Note: Change made in figures of the forecasts as of the end of the current quarter from the previous announcement: Revised

4. Notes

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change the scope of consolidation): None
- (2) Adoption of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter: None
- (3) Changes to accounting policies; changes to accounting estimates; restatements
 - 1) Changes due to revised accounting Standard: Adopted
 - 2) Changes other than the reason described above: None
 - 3) Changes to accounting estimates: None
 - 4) Restatements: None
- (4) Total number of outstanding shares (common stock)

1) Number of outstanding shares as of end of period (including treasury stock) :	Sep. 2016 term:	286,013,910	Mar. 2016 term:	286,013,910
2) Number of shares of treasury stock as of end of period :	Sep. 2016 term:	110,272	Mar. 2016 term:	109,952
3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as the end of the current quarter) :	Sep. 2016 term:	285,903,852	Sep. 2015 term:	285,904,508

※This document is out of the scope of the quarterly review procedures based on the Financial Instruments and Exchange Act.

The quarterly review procedures for the financial statements under this Act have not been completed as of the timing of disclosure of this.

Notes: Request for appropriate use of the business outlook and other special remarks:

- 1) The financial forecasts for the entire term for fiscal year ending March 31, 2017 are revised from ones provided on May 12, 2016.
- 2) The forecasts given above are based on information currently available and certain premises regarded as reasonable, and do not include any intent that the company will guarantee its achievement. The actual business result is inherently subject to a variety of risks and uncertainties, and may vary significantly from forecast due to factors including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

Consolidated Quarterly Balance Sheets

(Millions of Yen)

March 31, 2016 September 30, 2016

Assets		
Current assets		
Cash and deposits	66,398	56,789
Notes receivable, accounts receivable from completed construction contracts and other	172,409	149,564
Securities	31	31
Costs on uncompleted construction contracts and other	14,671	16,475
Real estate for sale and development projects in progress	6,307	6,602
Accounts receivable - other	21,310	20,709
Other	6,731	6,143
Allowance for doubtful accounts	(903)	(771)
Total current assets	286,957	255,546
Non-current assets		
Property, plant and equipment		
Land	32,729	32,740
Other, net	37,695	38,863
Total property, plant and equipment	70,425	71,604
Intangible assets	1,456	1,390
Investments and other assets		
Investment securities	14,590	14,692
Net defined benefit asset	1,091	1,271
Other	5,147	4,206
Allowance for doubtful accounts	(961)	(382)
Total investments and other assets	19,868	19,788
Total non-current assets	91,750	92,782
Deferred assets	58	49
Total assets	378,766	348,378

(Millions of Yen)

March 31, 2016 September 30, 2016

Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	129,562	97,081
Electronically recorded obligations - operating	15,823	26,165
Short-term loans payable	33,785	34,774
Income taxes payable	6,091	4,157
Advances received on uncompleted construction contracts	26,557	23,304
Provision	5,764	5,045
Other	33,905	27,894
Total current liabilities	251,491	218,423
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	20,413	17,896
Deferred tax liabilities for land revaluation	3,869	3,869
Provision	174	136
Net defined benefit liability	1,084	1,114
Other	1,076	987
Total non-current liabilities	46,618	44,003
Total liabilities	298,109	262,426
Net assets		
Shareholders' equity		
Capital stock	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	25,902	30,936
Treasury shares	(25)	(25)
Total shareholders' equity	74,713	79,747
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,299	2,310
Deferred gains or losses on hedges	20	14
Revaluation reserve for land	4,303	4,323
Foreign currency translation adjustment	(81)	(71)
Remeasurements of defined benefit plans	(668)	(436)
Total accumulated other comprehensive income	5,874	6,139
Non-controlling interests	68	64
Total net assets	80,656	85,952
Total liabilities and net assets	378,766	348,378

Consolidated Quarterly Statements of Income

(Millions of Yen)

	FY3/16 2Q	FY3/17 2Q
	(From Apr. 1, 2015 to Sep. 30, 2015)	(From Apr. 1, 2016 to Sep. 30, 2016)
Net sales		
Net sales of completed construction contracts	220,274	236,537
Net sales of development business and other	8,563	4,656
Total net sales	228,838	241,194
Cost of sales		
Cost of sales of completed construction contracts	205,066	217,653
Cost of sales on development business and other	8,051	3,649
Total cost of sales	213,118	221,303
Gross profit		
Gross profit on completed construction contracts	15,208	18,883
Gross profit on development business and other	512	1,007
Total gross profit	15,720	19,891
Selling, general and administrative expenses	7,274	8,220
Operating income	8,445	11,670
Non-operating income		
Interest income	43	45
Dividend income	123	259
Reversal of allowance for doubtful accounts	199	143
Other	282	215
Total non-operating income	648	663
Non-operating expenses		
Interest expenses	497	410
Foreign exchange losses	776	1,166
Other	65	124
Total non-operating expenses	1,339	1,701
Ordinary income	7,754	10,632
Extraordinary income		
Gain on sales of non-current assets	34	36
Gain on sales of investment securities	11	59
Other	1	4
Total extraordinary income	47	100
Extraordinary losses		
Loss on retirement of non-current assets	18	14
Other	8	0
Total extraordinary losses	27	14
Profit before income taxes	7,775	10,718
Income taxes - current	2,222	3,424
Income taxes - deferred	1,070	525
Total income taxes	3,293	3,950
Profit	4,482	6,768
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	4,482	6,769

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	FY3/16 2Q	FY3/17 2Q
	(From Apr. 1, 2015 to Sep. 30, 2015)	(From Apr. 1, 2016 to Sep. 30, 2016)
Profit	4,482	6,768
Other comprehensive income		
Valuation difference on available-for-sale securities	(421)	10
Deferred gains or losses on hedges	0	(5)
Revaluation reserve for land	13	—
Foreign currency translation adjustment	(47)	5
Remeasurements of defined benefit plans, net of tax	39	232
Total other comprehensive income	(416)	242
Comprehensive income	4,066	7,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,070	7,015
Comprehensive income attributable to non-controlling interests	(4)	(4)

Consolidated statements of cash flows

(Millions of Yen)

	FY3/16 2Q (From Apr. 1, 2015 to Sep. 30, 2015)	FY3/17 2Q (From Apr. 1, 2016 to Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	7,775	10,718
Depreciation	2,747	2,507
Increase (decrease) in allowance for doubtful accounts	(447)	(711)
Increase (decrease) in provision for bonuses	142	148
Increase (decrease) in provision for loss on construction contracts	(599)	(742)
Increase (decrease) in net defined benefit liability	44	30
Increase (decrease) in net defined benefit asset	(1,206)	(179)
Interest and dividend income	(166)	(304)
Interest expenses	497	410
Foreign exchange losses (gains)	859	2,814
Share of (profit) loss of entities accounted for using equity method	(3)	(3)
Loss (gain) on sales of property, plant and equipment	(27)	(36)
Loss (gain) on sales of short-term and long-term investment securities	(11)	(59)
Loss (gain) on valuation of investment securities	1	—
Decrease (increase) in notes and accounts receivable - trade	27,572	21,878
Decrease (increase) in costs on uncompleted construction contracts	(1,295)	(1,830)
Decrease (increase) in inventories	3,482	(474)
Decrease (increase) in accounts receivable - other	(2,387)	575
Increase (decrease) in notes and accounts payable - trade	(4,873)	(21,192)
Increase (decrease) in advances received on uncompleted construction contracts	810	(3,252)
Increase (decrease) in deposits received	1,628	(6,710)
Other, net	4,977	1,891
Subtotal	39,520	5,477
Interest and dividend income received	183	305
Interest expenses paid	(543)	(442)
Income taxes paid	(2,340)	(5,518)
Net cash provided by (used in) operating activities	36,819	(177)
Cash flows from investing activities		
Payments into time deposits	(7,131)	(2,018)
Proceeds from withdrawal of time deposits	2,863	470
Purchase of short-term and long-term investment securities	(16)	(293)
Proceeds from sales and redemption of short-term and long-term investment securities	128	275
Purchase of property, plant and equipment	(3,013)	(5,125)
Proceeds from sales of property, plant and equipment	63	42
Collection of loans receivable	43	16
Other, net	(164)	(118)
Net cash provided by (used in) investing activities	(7,226)	(6,750)
Cash flows from financing activities		

Consolidated statements of cash flows

(Millions of Yen)

	FY3/16 2Q	FY3/17 2Q
	(From Apr. 1, 2015 to Sep. 30, 2015)	(From Apr. 1, 2016 to Sep. 30, 2016)
Net increase (decrease) in short-term loans payable	6,236	3,605
Net increase (decrease) in commercial papers	(19,996)	—
Proceeds from long-term loans payable	7,130	1,630
Repayments of long-term loans payable	(6,824)	(5,227)
Cash dividends paid	(1,128)	(1,706)
Other, net	(29)	(53)
Net cash provided by (used in) financing activities	(14,611)	(1,751)
Effect of exchange rate change on cash and cash equivalents	(1,123)	(2,476)
Net increase (decrease) in cash and cash equivalents	13,857	(11,156)
Cash and cash equivalents at beginning of period	37,866	65,434
Cash and cash equivalents at end of period	51,723	54,277

(Reference)**Non-Consolidated Orders Received, Net Sales and Backlog**

1. Orders Received

(Millions of Yen)

	FY3/16 2Q (From Apr. 1, 2015 to Sep. 30, 2015)	FY3/17 2Q (From Apr. 1, 2016 to Sep. 30, 2016)	Increase (Decrease)	Rate of change (%)
Public works	57,866	52,858	(5,007)	(8.7)
Private works	21,181	49,802	28,620	135.1
Domestic civil engineering	79,048	102,661	23,613	29.9
Public works	2,464	19,283	16,819	682.5
Private works	58,955	86,328	27,373	46.4
Domestic building construction	61,419	105,612	44,192	72.0
Civil engineering	11,586	31,733	20,146	173.9
Building construction	13,832	25,759	11,927	86.2
Overseas	25,419	57,493	32,073	126.2
Construction Total	165,887	265,767	99,879	60.2
Real estate and Others	617	1,713	1,096	177.7
Total	166,504	267,480	100,976	60.6

2. Net Sales

(Millions of Yen)

	FY3/16 2Q (From Apr. 1, 2015 to Sep. 30, 2015)	FY3/17 2Q (From Apr. 1, 2016 to Sep. 30, 2016)	Increase (Decrease)	Rate of change (%)
Public works	44,294	48,979	4,685	10.6
Private works	17,911	18,235	323	1.8
Domestic civil engineering	62,205	67,214	5,008	8.1
Public works	13,835	11,123	(2,711)	(19.6)
Private works	62,172	60,236	(1,935)	(3.1)
Domestic building construction	76,007	71,360	(4,647)	(6.1)
Civil engineering	42,284	61,268	18,984	44.9
Building construction	28,551	27,847	(703)	(2.5)
Overseas	70,835	89,116	18,280	25.8
Construction Total	209,049	227,691	18,641	8.9
Real estate and Others	4,129	157	(3,972)	(96.2)
Total	213,179	227,848	14,669	6.9

3. Backlog

(Millions of Yen)

	FY3/16 2Q (Sep. 30, 2015)	FY3/17 2Q (Sep. 30, 2016)	Increase (Decrease)	Rate of change (%)
Public works	148,414	151,044	2,629	1.8
Private works	24,683	56,291	31,607	128.1
Domestic civil engineering	173,098	207,335	34,237	19.8
Public works	42,717	49,680	6,963	16.3
Private works	106,406	134,027	27,621	26.0
Domestic building construction	149,123	183,708	34,584	23.2
Civil engineering	259,389	179,192	(80,196)	(30.9)
Building construction	126,027	162,336	36,308	28.8
Overseas	385,416	341,528	(43,888)	(11.4)
Construction Total	707,638	732,571	24,933	3.5
Real estate and Others	380	3,598	3,217	844.5
Total	708,019	736,170	28,150	4.0