

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2019

November 8, 2018

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 8, 2018

1. Business results for the fiscal year ending March 2019 (Apr. 1, 2018- Sep. 30, 2018)

(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 | | Net income attributable to owners of parent | |
|-----------|-------------------|-------|-------------------|------|-------------------|------|---|------|
| | (Millions of Yen) | (%) | (Millions of Yen) | (%) | (Millions of Yen) | (%) | (Millions of Yen) | (%) |
| FY3/19 2Q | 244,478 | (2.5) | 15,107 | 12.4 | 15,080 | 10.2 | 10,852 | 9.8 |
| FY3/18 2Q | 250,796 | 4.0 | 13,438 | 15.1 | 13,690 | 28.8 | 9,885 | 46.0 |

Note: Comprehensive income (Millions of Yen) Sep. 30, 2018 term: 11,649 (9.1%) Sep. 30, 2017 term: 10,682 (52.4%)

| | Net income per share (Yen) | Diluted Net income per share (Yen) |
|-----------|-------------------------------|---------------------------------------|
| FY3/19 2Q | 38.02 | - |
| FY3/18 2Q | 34.59 | - |

(2) Consolidated financial position

| | Total assets (Millions of Yen) | Total net assets (Millions of Yen) | Total net assets/ total assets (%) |
|---------------|-----------------------------------|---------------------------------------|---------------------------------------|
| Sep. 30, 2018 | 421,354 | 119,621 | 28.4 |
| Mar. 31, 2018 | 418,422 | 112,031 | 26.8 |

Reference: Shareholders' Equity (Millions of Yen) Sep. 30, 2018: 119,561 Mar. 31, 2018: 111,971

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 |
| FY3/17 | - | - | - | 14.00 | 14.00 |
| FY3/18 | - | - | - | - | - |
| FY3/18 (Forecast) | - | - | - | 18.00 | 18.00 |

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

3. Consolidated forecasts for fiscal year ending March 2019 (Apr. 1, 2018 - Mar. 31, 2019)

| | Net Sales (Millions of Yen, %) | | Operating income (Millions of Yen, %) | | Ordinary income (Millions of Yen, %) | | Net income attributable to owners of parent (Millions of Yen, %) | | Net income per share (Yen) |
|-------------|-----------------------------------|-----|--|-----|---|-----|---|-----|-------------------------------|
| Entire term | 570,000 | 8.2 | 28,500 | 3.2 | 27,500 | 7.1 | 18,000 | 1.0 | 63.07 |

Note: Change made in figures of the forecasts as of the end of the current quarter from the previous announcement: None

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: None

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. 2018 term: | 286,013,910 | Mar. 2018 term: | 286,013,910 |
|-----------------|-------------|-----------------|-------------|

2) Number of shares of treasury stock as of end of period :

| | | | |
|-----------------|---------|-----------------|---------|
| Sep. 2018 term: | 654,910 | Mar. 2018 term: | 567,344 |
|-----------------|---------|-----------------|---------|

3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as the end of the current quarter) :

| | | | |
|-----------------|-------------|-----------------|-------------|
| Sep. 2018 term: | 285,423,065 | Sep. 2017 term: | 285,780,804 |
|-----------------|-------------|-----------------|-------------|

Note: Both the number of shares of treasury stock as of end of period, and the average number of shares outstanding during the period that is calculated by subtracting the number of shares of treasury stock from the number of outstanding shares, contain the company's shares of the BBT.

※This document is out of the scope of the quarterly review procedures.

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, 2019 are the same as ones provided in May 10, 2018.

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, 2018 | September 30, 2018 |
|---|----------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 65,706 | 58,779 |
| Notes receivable, accounts receivable from completed construction contracts and other | 192,719 | 192,409 |
| Costs on uncompleted construction contracts and other | 16,880 | 20,321 |
| Real estate for sale and development projects in progress | 3,873 | 3,597 |
| Accounts receivable - other | 31,366 | 35,247 |
| Other | 3,239 | 4,816 |
| Allowance for doubtful accounts | (831) | (838) |
| Total current assets | 312,954 | 314,333 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 33,720 | 33,710 |
| Other, net | 44,669 | 44,214 |
| Total property, plant and equipment | 78,390 | 77,925 |
| Intangible assets | 1,400 | 1,374 |
| Investments and other assets | | |
| Investment securities | 18,097 | 20,509 |
| Net defined benefit asset | 2,413 | 2,578 |
| Other | 6,343 | 5,843 |
| Allowance for doubtful accounts | (1,199) | (1,222) |
| Total investments and other assets | 25,655 | 27,708 |
| Total non-current assets | 105,446 | 107,008 |
| Deferred assets | 21 | 12 |
| Total assets | 418,422 | 421,354 |

(Millions of Yen)

March 31, 2018 September 30, 2018

| Liabilities | | |
|--|---------|---------|
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 127,446 | 99,472 |
| Electronically recorded obligations - operating | 12,883 | 6,897 |
| Short-term loans payable | 25,138 | 45,244 |
| Current portion of bonds | 10,000 | — |
| Income taxes payable | 5,551 | 4,511 |
| Advances received on uncompleted construction contracts | 44,527 | 59,789 |
| Provision | 5,296 | 5,677 |
| Other | 38,142 | 41,793 |
| Total current liabilities | 268,986 | 263,386 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 12,354 | 13,348 |
| Deferred tax liabilities for land revaluation | 3,679 | 3,679 |
| Provision | 86 | 127 |
| Net defined benefit liability | 491 | 515 |
| Other | 792 | 675 |
| Total non-current liabilities | 37,404 | 38,345 |
| Total liabilities | 306,391 | 301,732 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 30,449 | 30,449 |
| Capital surplus | 18,386 | 18,386 |
| Retained earnings | 54,247 | 61,097 |
| Treasury shares | (326) | (383) |
| Total shareholders' equity | 102,757 | 109,550 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,434 | 5,210 |
| Deferred gains or losses on hedges | 26 | (81) |
| Revaluation reserve for land | 3,910 | 3,910 |
| Foreign currency translation adjustment | (160) | (111) |
| Remeasurements of defined benefit plans | 1,002 | 1,082 |
| Total accumulated other comprehensive income | 9,213 | 10,010 |
| Non-controlling interests | 59 | 60 |
| Total net assets | 112,031 | 119,621 |
| Total liabilities and net assets | 418,422 | 421,354 |

Consolidated Quarterly Statements of Income

| | (Millions of Yen) | |
|--|---|---|
| | FY3/18 2Q | FY3/19 2Q |
| | (From Apr. 1, 2017 to Sep. 30, 2017) | (From Apr. 1, 2018 to Sep. 30, 2018) |
| Net sales | | |
| Net sales of completed construction contracts | 246,618 | 240,072 |
| Net sales of development business and other | 4,178 | 4,405 |
| Total net sales | 250,796 | 244,478 |
| Cost of sales | | |
| Cost of sales of completed construction contracts | 225,306 | 217,355 |
| Cost of sales on development business and other | 3,646 | 3,500 |
| Total cost of sales | 228,952 | 220,855 |
| Gross profit | | |
| Gross profit on completed construction contracts | 21,312 | 22,717 |
| Gross profit on development business and other | 531 | 905 |
| Total gross profit | 21,843 | 23,623 |
| Selling, general and administrative expenses | 8,405 | 8,515 |
| Operating income | 13,438 | 15,107 |
| Non-operating income | | |
| Interest income | 63 | 89 |
| Dividend income | 223 | 358 |
| Foreign exchange gains | 181 | — |
| Other | 265 | 147 |
| Total non-operating income | 733 | 594 |
| Non-operating expenses | | |
| Interest expenses | 296 | 384 |
| Other | 185 | 236 |
| Total non-operating expenses | 481 | 621 |
| Ordinary income | 13,690 | 15,080 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 67 | 37 |
| Gain on liquidation of subsidiaries | 27 | — |
| Other | 38 | 0 |
| Total extraordinary income | 134 | 38 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 41 | 17 |
| Other | 28 | 16 |
| Total extraordinary losses | 70 | 34 |
| Income before income taxes | 13,754 | 15,084 |
| Income taxes - current | 3,719 | 4,039 |
| Income taxes - deferred | 148 | 191 |
| Total income taxes | 3,868 | 4,230 |
| Net income | 9,886 | 10,853 |
| Net income attributable to non-controlling interests | 1 | 0 |
| Net income attributable to owners of parent | 9,885 | 10,852 |

Consolidated Quarterly Statements of Comprehensive Income

| | (Millions of Yen) | | | |
|--|---|--------|---|--------|
| | FY3/18 | 2Q | FY3/19 | 2Q |
| | (From Apr. 1, 2017 to Sep. 30, 2017) | | (From Apr. 1, 2018 to Sep. 30, 2018) | |
| Net income | | 9,886 | | 10,853 |
| Other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | | 728 | | 775 |
| Deferred gains or losses on hedges | | (61) | | (108) |
| Foreign currency translation adjustment | | (59) | | 48 |
| Remeasurements of defined benefit plans, net of tax | | 188 | | 79 |
| Total other comprehensive income | | 796 | | 795 |
| Comprehensive income | | 10,682 | | 11,649 |
| Comprehensive income attributable to | | | | |
| Comprehensive income attributable to owners of parent | | 10,677 | | 11,649 |
| Comprehensive income attributable to non-controlling interests | | 4 | | 0 |

Consolidated statements of cash flows

(Millions of Yen)

| | FY3/18 | 2Q | FY3/19 | 2Q |
|--|---|----------------|---|-----------------|
| | (From Apr. 1, 2017 to Sep. 30, 2017) | | (From Apr. 1, 2018 to Sep. 30, 2018) | |
| Cash flows from operating activities | | | | |
| Income before income taxes | | 13,754 | | 15,084 |
| Depreciation | | 3,031 | | 3,349 |
| Increase (decrease) in allowance for doubtful accounts | | (46) | | 29 |
| Increase (decrease) in provision for bonuses | | 117 | | 130 |
| Increase (decrease) in provision for loss on construction contracts | | (414) | | 176 |
| Increase (decrease) in net defined benefit liability | | 125 | | 23 |
| Decrease (increase) in net defined benefit asset | | (329) | | (164) |
| Interest and dividend income | | (286) | | (447) |
| Interest expenses | | 296 | | 384 |
| Foreign exchange losses (gains) | | (718) | | (1,199) |
| Share of loss (profit) of entities accounted for using equity method | | (3) | | (4) |
| Loss (gain) on sales of property, plant and equipment | | (45) | | (34) |
| Loss (gain) on sales of short-term and long-term investment securities | | (33) | | 0 |
| Loss (gain) on valuation of investment securities | | 3 | | 0 |
| Decrease (increase) in notes and accounts receivable - trade | | 12,797 | | 339 |
| Decrease (increase) in costs on uncompleted construction contracts | | 914 | | (3,200) |
| Decrease (increase) in inventories | | 108 | | 104 |
| Decrease (increase) in accounts receivable - other | | (6,687) | | (3,872) |
| Increase (decrease) in notes and accounts payable - trade | | 15,784 | | (33,992) |
| Increase (decrease) in advances received on uncompleted construction contracts | | (3,211) | | 15,261 |
| Other, net | | (1,511) | | 2,114 |
| Subtotal | | 33,645 | | (5,916) |
| Interest and dividend income received | | 259 | | 414 |
| Interest expenses paid | | (340) | | (439) |
| Income taxes paid | | (4,269) | | (5,021) |
| Net cash provided by (used in) operating activities | | 29,294 | | (10,963) |
| Cash flows from investing activities | | | | |
| Payments into time deposits | | (2,974) | | (2,993) |
| Proceeds from withdrawal of time deposits | | 200 | | 100 |
| Purchase of short-term and long-term investment securities | | (9) | | (1,311) |
| Proceeds from sales and redemption of short-term and long-term investment securities | | 46 | | 18 |
| Purchase of property, plant and equipment | | (2,129) | | (2,411) |
| Proceeds from sales of property, plant and equipment | | 317 | | 62 |
| Collection of loans receivable | | 16 | | 16 |
| Other, net | | (165) | | (171) |
| Net cash provided by (used in) investing activities | | (4,698) | | (6,690) |

Consolidated statements of cash flows

(Millions of Yen)

| | FY3/18 | 2Q | FY3/19 | 2Q |
|---|---|---------|---|----------|
| | (From Apr. 1, 2017 to Sep. 30, 2017) | | (From Apr. 1, 2018 to Sep. 30, 2018) | |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term loans payable | | 2,437 | | 18,574 |
| Proceeds from long-term loans payable | | — | | 6,956 |
| Repayments of long-term loans payable | | (4,299) | | (4,784) |
| Proceeds from issuance of bonds | | 9,950 | | — |
| Redemption of bonds | | — | | (10,000) |
| Cash dividends paid | | (3,415) | | (3,988) |
| Other, net | | (367) | | (143) |
| Net cash provided by (used in) financing activities | | 4,306 | | 6,614 |
| Effect of exchange rate change on cash and cash equivalents | | 339 | | 1,220 |
| Net increase (decrease) in cash and cash equivalents | | 29,241 | | (9,819) |
| Cash and cash equivalents at beginning of period | | 71,770 | | 65,112 |
| Cash and cash equivalents at end of period | | 101,012 | | 55,292 |

(Reference)

Non-Consolidated Orders Received, Net Sales and Backlog

1. Orders Received

(Millions of Yen)

| | FY3/18 2Q (From Apr. 1, 2017 to Sep. 30, 2017) | FY3/19 2Q (From Apr. 1, 2018 to Sep. 30, 2018) | Increase (Decrease) | Rate of change (%) |
|--------------------------------|--|--|------------------------|--------------------|
| Public works | 59,388 | 65,949 | 6,561 | 11.0 |
| Private works | 20,263 | 15,437 | (4,825) | (23.8) |
| Domestic civil engineering | 79,651 | 81,387 | 1,735 | 2.2 |
| Public works | 4,177 | 9,990 | 5,813 | 139.2 |
| Private works | 92,632 | 75,330 | (17,301) | (18.7) |
| Domestic building construction | 96,809 | 85,321 | (11,487) | (11.9) |
| Civil engineering | 189,514 | 68,862 | (120,652) | (63.7) |
| Building construction | 2,237 | 46,491 | 44,254 | 1,977.7 |
| Overseas | 191,752 | 115,354 | (76,397) | (39.8) |
| Construction Total | 368,213 | 282,063 | (86,149) | (23.4) |
| Real estate and Others | 335 | 144 | (190) | (56.8) |
| Total | 368,548 | 282,208 | (86,340) | (23.4) |

2. Net Sales

(Millions of Yen)

| | FY3/18 2Q (From Apr. 1, 2017 to Sep. 30, 2017) | FY3/19 2Q (From Apr. 1, 2018 to Sep. 30, 2018) | Increase (Decrease) | Rate of change (%) |
|--------------------------------|--|--|------------------------|--------------------|
| Public works | 57,267 | 59,251 | 1,984 | 3.5 |
| Private works | 22,948 | 25,577 | 2,628 | 11.5 |
| Domestic civil engineering | 80,215 | 84,829 | 4,613 | 5.8 |
| Public works | 9,421 | 11,623 | 2,201 | 23.4 |
| Private works | 55,651 | 64,562 | 8,911 | 16.0 |
| Domestic building construction | 65,073 | 76,186 | 11,112 | 17.1 |
| Civil engineering | 45,404 | 48,499 | 3,094 | 6.8 |
| Building construction | 45,851 | 22,716 | (23,135) | (50.5) |
| Overseas | 91,256 | 71,215 | (20,040) | (22.0) |
| Construction Total | 236,545 | 232,231 | (4,314) | (1.8) |
| Real estate and Others | 345 | 144 | (200) | (58.1) |
| Total | 236,890 | 232,376 | (4,514) | (1.9) |

3. Backlog

(Millions of Yen)

| | FY3/18 2Q (Sep. 30, 2017) | FY3/19 2Q (Sep. 30, 2018) | Increase (Decrease) | Rate of change (%) |
|--------------------------------|------------------------------|------------------------------|------------------------|--------------------|
| Public works | 157,176 | 156,408 | (768) | (0.5) |
| Private works | 58,502 | 51,227 | (7,274) | (12.4) |
| Domestic civil engineering | 215,678 | 207,635 | (8,042) | (3.7) |
| Public works | 60,439 | 60,010 | (429) | (0.7) |
| Private works | 151,022 | 192,962 | 41,940 | 27.8 |
| Domestic building construction | 211,462 | 252,972 | 41,510 | 19.6 |
| Civil engineering | 305,943 | 382,024 | 76,081 | 24.9 |
| Building construction | 105,592 | 89,531 | (16,060) | (15.2) |
| Overseas | 411,535 | 471,556 | 60,020 | 14.6 |
| Construction Total | 838,676 | 932,165 | 93,488 | 11.1 |
| Real estate and Others | 58 | — | (58) | (100.0) |
| Total | 838,734 | 932,165 | 93,430 | 11.1 |