

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2015

November 11, 2014

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/>

Representative

Title: **Chief Executive Officer**

Name: **Takuzo Shimizu**

Contact

Title: **General Manager, Account Department and
Deputy Chief of General Administration Divisions Group**

Name: **Syunji Kitahashi**

Tel: **03-3817-7619**

Schedule of financial statement reporting date: November 12, 2014

1. Business results for the Second Quarter of fiscal year ending March 2015 (April 1, 2014- Sep 30, 2014)

(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	
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)
2Q FY2014	183,094	(1.2)	3,204	(25.8)	3,441	0.6	2,008	22.8
2Q FY2013	185,296	11.5	4,316	76.6	3,420	68.4	1,635	454.5

Note: Comprehensive income (Millions of Yen) Sep. 30 2014 term: 2,307 ((28.3%)) Sep. 30 2013 term: 3,219 (-%)

	Earnings per share	Earnings per share (diluted)
	(Yen)	(Yen)
2Q FY2014	7.02	-
2Q FY2013	5.72	-

(2) Consolidated financial position

	Total assets	Total net assets	Total net assets/ total assets
	(Millions of Yen)	(Millions of Yen)	(%)
Sep. 30, 2014	315,003	68,094	21.5
Mar. 31, 2014	301,626	67,493	22.3

Reference: Shareholders' Equity (Millions of Yen) Sep 30 2014: 67,862 Mar. 31, 2014: 67,338

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
FY2013	-	-	-	2.00	2.00
FY2014	-	-	-	-	-
FY2014 (Forecast)	-	-	-	3.00	3.00

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

3. Earnings forecasts for fiscal year ending March 2015 (April 1, 2014 - March 31, 2015)

	Net Sales		Operating income		Ordinary income		Net income		Earnings per share (Yen)
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	
Entire term	390,000	2.3	9,600	(3.0)	8,500	(7.2)	3,000	(20.3)	10.49

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: 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. 2014 term:	286,013,910	Mar. 2014 term:	286,013,910
-----------------	-------------	-----------------	-------------

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

Sep. 2014 term:	108,596	Mar. 2014 term:	108,303
-----------------	---------	-----------------	---------

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

Sep. 2014 term:	285,905,439	Sep. 2013 term:	285,909,101
-----------------	-------------	-----------------	-------------

※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, 2015 are the same as ones provided in May 14, 2014.

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, 2014	September 30, 2014
Assets		
Current assets		
Cash and deposits	32,602	36,705
Notes receivable, accounts receivable from completed construction contracts and other	131,639	124,323
Costs on uncompleted construction contracts and other	11,362	16,801
Real estate for sale and development projects in progress	8,389	7,711
Accounts receivable - other	11,478	19,170
Other	7,798	7,539
Allowance for doubtful accounts	(782)	(730)
Total current assets	202,487	211,521
Non-current assets		
Property, plant and equipment		
Land	41,901	41,567
Other, net	34,091	39,366
Total property, plant and equipment	75,993	80,934
Intangible assets	1,090	1,111
Investments and other assets		
Investment securities	15,402	15,127
Other	10,758	7,433
Allowance for doubtful accounts	(4,164)	(1,210)
Total investments and other assets	21,997	21,350
Total non-current assets	99,080	103,396
Deferred assets	58	86
Total assets	301,626	315,003

Consolidated Quarterly Balance Sheets

(Millions of Yen)

	March 31, 2014	September 30, 2014
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	101,975	103,125
Electronically recorded obligations - operating	5,771	5,813
Short-term loans payable	37,416	29,973
Current portion of bonds	10,000	10,000
Income taxes payable	2,071	1,088
Advances received on uncompleted construction contracts and other	16,229	21,579
Provision	4,936	3,834
Other	17,594	19,534
Total current liabilities	195,996	194,950
Non-current liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	17,521	20,535
Deferred tax liabilities for land revaluation	6,186	6,182
Provision	113	123
Net defined benefit liability	3,396	3,919
Other	918	1,196
Total non-current liabilities	38,137	51,958
Total liabilities	234,133	246,909
Net assets		
Shareholders' equity		
Capital stock	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	11,728	12,017
Treasury shares	(24)	(25)
Total shareholders' equity	60,540	60,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,749	2,466
Deferred gains or losses on hedges	(10)	12
Revaluation reserve for land	6,567	6,581
Foreign currency translation adjustment	(1)	(104)
Remeasurements of defined benefit plans	(2,507)	(1,922)
Total accumulated other comprehensive income	6,797	7,033
Minority interests	154	232
Total net assets	67,493	68,094
Total liabilities and net assets	301,626	315,003

Consolidated Quarterly Statements of Income

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)
Net sales		
Net sales of completed construction contracts	181,711	178,282
Net sales of development business and other	3,584	4,811
Total net sales	185,296	183,094
Cost of sales		
Cost of sales of completed construction contracts	170,241	167,875
Cost of sales on development business and other	3,384	4,580
Total cost of sales	173,625	172,456
Gross profit		
Gross profit on completed construction contracts	11,470	10,407
Gross profit on development business and other	199	231
Total gross profit	11,670	10,638
Selling, general and administrative expenses	7,353	7,434
Operating income	4,316	3,204
Non-operating income		
Interest income	40	31
Dividend income	112	112
Foreign exchange gains	—	394
Other	251	346
Total non-operating income	404	885
Non-operating expenses		
Interest expenses	600	485
Foreign exchange losses	467	—
Other	232	161
Total non-operating expenses	1,300	647
Ordinary income	3,420	3,441
Extraordinary income		
Gain on sales of non-current assets	120	41
Gain on sales of investment securities	—	51
Other	3	19
Total extraordinary income	123	112
Extraordinary losses		
Loss on sales of non-current assets	37	52
Loss on retirement of non-current assets	10	88
Impairment loss	—	48
Other	15	7
Total extraordinary losses	62	196
Income before income taxes and minority interests	3,481	3,358
Income taxes - current	672	403
Income taxes - deferred	1,139	865
Total income taxes	1,812	1,268
Income before minority interests	1,668	2,089
Minority interests in income	32	81
Net income	1,635	2,008

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)
Income before minority interests	1,668	2,089
Other comprehensive income		
Valuation difference on available-for-sale securities	1,532	(283)
Deferred gains or losses on hedges	(19)	22
Foreign currency translation adjustment	36	(106)
Remeasurements of defined benefit plans, net of tax	—	584
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	1,550	217
Comprehensive income	3,219	2,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,182	2,229
Comprehensive income attributable to minority interests	36	77

Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	3,481	3,358
Depreciation	2,313	2,320
Impairment loss	—	48
Increase (decrease) in allowance for doubtful accounts	(2,012)	(3,005)
Increase (decrease) in provision for bonuses	96	126
Increase (decrease) in provision for loss on construction contracts	(1,389)	(948)
Increase (decrease) in provision for retirement benefits	12	—
Increase (decrease) in net defined benefit liability	—	(1,232)
Interest and dividend income	(152)	(144)
Interest expenses	600	485
Foreign exchange losses (gains)	275	(1,205)
Share of (profit) loss of entities accounted for using equity method	(0)	(2)
Loss (gain) on sales of property, plant and equipment	(83)	11
Loss (gain) on sales of short-term and long-term investment securities	7	(51)
Loss (gain) on valuation of investment securities	—	3
Decrease (increase) in notes and accounts receivable - trade	(6,511)	7,516
Decrease (increase) in costs on uncompleted construction contracts	(527)	(4,658)
Decrease (increase) in inventories	363	100
Increase (decrease) in notes and accounts payable - trade	(7,190)	385
Increase (decrease) in advances received on uncompleted construction contracts	(2,187)	5,350
Decrease (increase) in accounts receivable - other	(180)	(7,690)
Other, net	(467)	6,039
Subtotal	(13,554)	6,807
Interest and dividend income received	144	136
Interest expenses paid	(604)	(531)
Income taxes paid	(961)	(1,356)
Net cash provided by (used in) operating activities	(14,975)	5,055
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(11)	(238)
Proceeds from sales and redemption of short-term and long-term investment securities	237	147
Purchase of property, plant and equipment	(2,788)	(6,319)
Proceeds from sales of property, plant and equipment	668	360
Payments of loans receivable	(6)	(11)
Collection of loans receivable	40	70
Other, net	8	137
Net cash provided by (used in) investing activities	(1,851)	(5,852)

Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	2Q FY2013	2Q FY2014
	(From Apr. 1, 2013 to Sep. 30, 2013)	(From Apr. 1, 2014 to Sep. 30, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,410	(6,331)
Proceeds from long-term loans payable	—	9,660
Repayments of long-term loans payable	(10,464)	(7,837)
Proceeds from issuance of bonds	9,943	9,942
Cash dividends paid	(566)	(565)
Other, net	(111)	(84)
Net cash provided by (used in) financing activities	211	4,784
Effect of exchange rate change on cash and cash equivalents	(194)	389
Net increase (decrease) in cash and cash equivalents	(16,809)	4,376
Cash and cash equivalents at beginning of period	49,927	31,941
Cash and cash equivalents at end of period	33,117	36,317

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

1. Orders Received

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)	Increase (Decrease)	Rate of change (%)
Public works	56,743	90,112	33,369	58.8
Private works	17,307	28,815	11,508	66.5
Domestic civil engineering	74,050	118,928	44,877	60.6
Public works	14,579	8,521	(6,058)	(41.6)
Private works	102,975	58,789	(44,185)	(42.9)
Domestic architectural construction	117,554	67,310	(50,243)	(42.7)
Civil engineering	24,373	56,617	32,244	132.3
Architectural construction	19,780	132,962	113,181	572.2
Overseas	44,154	189,579	145,425	329.4
Construction Total	235,759	375,818	140,059	59.4
Real estate and Others	634	847	213	33.6
Total	236,394	376,666	140,272	59.3

2. Net Sales

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)	Increase (Decrease)	Rate of change (%)
Public works	42,816	39,319	(3,496)	(8.2)
Private works	15,175	16,906	1,731	11.4
Domestic civil engineering	57,991	56,226	(1,765)	(3.0)
Public works	12,174	9,342	(2,832)	(23.3)
Private works	51,787	48,530	(3,256)	(6.3)
Domestic architectural construction	63,962	57,873	(6,088)	(9.5)
Civil engineering	32,127	34,823	2,696	8.4
Architectural construction	18,819	21,026	2,207	11.7
Overseas	50,946	55,850	4,903	9.6
Construction Total	172,900	169,950	(2,950)	(1.7)
Real estate and Others	626	897	271	43.3
Total	173,526	170,847	(2,679)	(1.5)

3. Backlog

(Millions of Yen)

	2Q FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	2Q FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)	Increase (Decrease)	Rate of change (%)
Public works	82,077	137,828	55,750	67.9
Private works	19,141	27,769	8,627	45.1
Domestic civil engineering	101,218	165,597	64,378	63.6
Public works	28,885	25,136	(3,748)	(13.0)
Private works	122,500	102,896	(19,603)	(16.0)
Domestic architectural construction	151,385	128,033	(23,351)	(15.4)
Civil engineering	73,210	173,876	100,665	137.5
Architectural construction	56,748	160,189	103,441	182.3
Overseas	129,958	334,066	204,107	157.1
Construction Total	382,563	627,697	245,133	64.1
Real estate and Others	47	28	(18)	(39.8)
Total	382,610	627,725	245,114	64.1