

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

February 10, 2017

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: February 13, 2017

## 1. Business results for the fiscal year ending March 2017 (Apr. 1, 2016- Dec. 31, 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 3Q | 362,867           | 0.2  | 16,442            | (0.2) | 16,186            | 5.0   | 10,427                                  | 60.4 |
| FY3/16 3Q | 362,046           | 25.9 | 16,481            | 153.3 | 15,418            | 139.4 | 6,499                                   | 56.9 |

Note: Comprehensive income (Millions of Yen) Dec. 31, 2016 term: 11,646 (94.8%) Dec. 31, 2015 term: 5,978 (14.2%)

|           | Earnings per share | Earnings per share (diluted) |
|-----------|--------------------|------------------------------|
|           | (Yen)              | (Yen)                        |
| FY3/17 3Q | 36.47              | -                            |
| FY3/16 3Q | 22.73              | -                            |

## (2) Consolidated financial position

|               | Total assets      | Total net assets  | Total net assets/ total assets |
|---------------|-------------------|-------------------|--------------------------------|
|               | (Millions of Yen) | (Millions of Yen) | (%)                            |
| Dec. 31, 2016 | 368,239           | 90,587            | 24.6                           |
| Mar. 31, 2016 | 378,766           | 80,656            | 21.3                           |

Reference: Shareholders' Equity (Millions of Yen) Dec. 31, 2016: 90,520 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 | 500,000              | 1.7 | 22,500               | 9.1 | 21,500               | 10.8 | 13,000                                  | 66.5 | 45.47              |

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) :

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

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

|                 |             |                 |             |
|-----------------|-------------|-----------------|-------------|
| Dec. 2016 term: | 286,013,910 | Mar. 2016 term: | 286,013,910 |
| Dec. 2016 term: | 110,447     | Mar. 2016 term: | 109,952     |
| Dec. 2016 term: | 285,903,752 | Dec. 2015 term: | 285,904,394 |

※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 Nov 11, 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 | December 31, 2016 |
|---|----------------|-------------------|
| <b>Assets</b>   |                |                   |
| Current assets  |                |                   |
| Cash and deposits   | 66,398         | 71,965            |
| Notes receivable, accounts receivable from completed construction contracts and other | 172,409        | 155,702           |
| Securities  | 31             | —                 |
| Costs on uncompleted construction contracts and other                                 | 14,671         | 15,541            |
| Real estate for sale and development projects in progress                             | 6,307          | 5,865             |
| Accounts receivable - other   | 21,310         | 18,363            |
| Other   | 6,731          | 6,136             |
| Allowance for doubtful accounts   | (903)          | (781)             |
| Total current assets  | 286,957        | 272,792           |
| Non-current assets  |                |                   |
| Property, plant and equipment   |                |                   |
| Land  | 32,729         | 32,740            |
| Other, net  | 37,695         | 40,433            |
| Total property, plant and equipment   | 70,425         | 73,174            |
| Intangible assets   | 1,456          | 1,430             |
| Investments and other assets  |                |                   |
| Investment securities   | 14,590         | 16,061            |
| Net defined benefit asset   | 1,091          | 1,360             |
| Other   | 5,147          | 3,751             |
| Allowance for doubtful accounts   | (961)          | (376)             |
| Total investments and other assets  | 19,868         | 20,797            |
| Total non-current assets  | 91,750         | 95,402            |
| Deferred assets   | 58             | 44                |
| Total assets  | 378,766        | 368,239           |

(Millions of Yen)

March 31, 2016    December 31, 2016

|  |         |         |
|--|---------|---------|
| <b>Liabilities</b>   |         |         |
| Current liabilities  |         |         |
| Notes payable, accounts payable for construction contracts and other | 129,562 | 109,143 |
| Electronically recorded obligations - operating                      | 15,823  | 35,679  |
| Short-term loans payable   | 33,785  | 28,569  |
| Income taxes payable   | 6,091   | 2,548   |
| Advances received on uncompleted construction contracts              | 26,557  | 23,017  |
| Provision  | 5,764   | 3,971   |
| Other  | 33,905  | 31,223  |
| Total current liabilities  | 251,491 | 234,153 |
| Non-current liabilities  |         |         |
| Bonds payable  | 20,000  | 20,000  |
| Long-term loans payable  | 20,413  | 17,566  |
| Deferred tax liabilities for land revaluation                        | 3,869   | 3,869   |
| Provision  | 174     | 143     |
| Net defined benefit liability  | 1,084   | 1,163   |
| Other  | 1,076   | 755     |
| Total non-current liabilities  | 46,618  | 43,498  |
| Total liabilities  | 298,109 | 277,651 |
| Net assets   |         |         |
| Shareholders' equity   |         |         |
| Capital stock  | 30,449  | 30,449  |
| Capital surplus  | 18,386  | 18,386  |
| Retained earnings  | 25,902  | 34,595  |
| Treasury shares  | (25)    | (25)    |
| Total shareholders' equity   | 74,713  | 83,406  |
| Accumulated other comprehensive income                               |         |         |
| Valuation difference on available-for-sale securities                | 2,299   | 3,258   |
| Deferred gains or losses on hedges                                   | 20      | 12      |
| Revaluation reserve for land   | 4,303   | 4,323   |
| Foreign currency translation adjustment                              | (81)    | (159)   |
| Remeasurements of defined benefit plans                              | (668)   | (319)   |
| Total accumulated other comprehensive income                         | 5,874   | 7,114   |
| Non-controlling interests  | 68      | 67      |
| Total net assets   | 80,656  | 90,587  |
| Total liabilities and net assets                                     | 378,766 | 368,239 |

## Consolidated Quarterly Statements of Income

|   | (Millions of Yen)                       |   |
|---|---|---|
|   | FY3/16 3Q                               | FY3/17 3Q                               |
|   | (From Apr. 1, 2015<br>to Dec. 31, 2015) | (From Apr. 1, 2016<br>to Dec. 31, 2016) |
| Net sales   |   |   |
| Net sales of completed construction contracts           | 351,222                                 | 354,715                                 |
| Net sales of development business and other             | 10,823                                  | 8,152                                   |
| Total net sales   | 362,046                                 | 362,867                                 |
| Cost of sales   |   |   |
| Cost of sales of completed construction contracts       | 324,543                                 | 327,725                                 |
| Cost of sales on development business and other         | 10,013                                  | 6,474                                   |
| Total cost of sales                                     | 334,556                                 | 334,200                                 |
| Gross profit  |   |   |
| Gross profit on completed construction contracts        | 26,679                                  | 26,989                                  |
| Gross profit on development business and other          | 810                                     | 1,677                                   |
| Total gross profit                                      | 27,489                                  | 28,667                                  |
| Selling, general and administrative expenses            | 11,007                                  | 12,224                                  |
| Operating income  | 16,481                                  | 16,442                                  |
| Non-operating income                                    |   |   |
| Interest income   | 59                                      | 47                                      |
| Dividend income   | 221                                     | 357                                     |
| Other   | 539                                     | 465                                     |
| Total non-operating income                              | 819                                     | 869                                     |
| Non-operating expenses                                  |   |   |
| Interest expenses                                       | 772                                     | 589                                     |
| Foreign exchange losses                                 | 950                                     | 383                                     |
| Other   | 160                                     | 153                                     |
| Total non-operating expenses                            | 1,883                                   | 1,126                                   |
| Ordinary income   | 15,418                                  | 16,186                                  |
| Extraordinary income                                    |   |   |
| Gain on sales of non-current assets                     | 40                                      | 40                                      |
| Gain on sales of investment securities                  | 158                                     | 60                                      |
| Other   | 1                                       | 4                                       |
| Total extraordinary income                              | 199                                     | 105                                     |
| Extraordinary losses                                    |   |   |
| Loss on retirement of non-current assets                | 38                                      | 34                                      |
| Impairment loss   | 4,222                                   | —                                       |
| Other   | 449                                     | 1                                       |
| Total extraordinary losses                              | 4,711                                   | 35                                      |
| Profit before income taxes                              | 10,907                                  | 16,256                                  |
| Income taxes - current                                  | 4,111                                   | 4,773                                   |
| Income taxes - deferred                                 | 295                                     | 1,056                                   |
| Total income taxes                                      | 4,407                                   | 5,829                                   |
| Profit  | 6,499                                   | 10,426                                  |
| Profit (loss) attributable to non-controlling interests | 0                                       | (1)                                     |
| Profit attributable to owners of parent                 | 6,499                                   | 10,427                                  |

**Consolidated Quarterly Statements of Comprehensive Income**

|  | (Millions of Yen)                       |   |
|--|---|---|
|  | FY3/16 3Q                               | FY3/17 3Q                               |
|  | (From Apr. 1, 2015<br>to Dec. 31, 2015) | (From Apr. 1, 2016<br>to Dec. 31, 2016) |
| Profit   | 6,499                                   | 10,426                                  |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | (448)                                   | 958                                     |
| Deferred gains or losses on hedges                             | (38)                                    | (8)                                     |
| Revaluation reserve for land                                   | 13                                      | —                                       |
| Foreign currency translation adjustment                        | (106)                                   | (78)                                    |
| Remeasurements of defined benefit plans, net of tax            | 58                                      | 348                                     |
| Total other comprehensive income                               | (521)                                   | 1,220                                   |
| Comprehensive income   | 5,978                                   | 11,646                                  |
| Comprehensive income attributable to                           |   |   |
| Comprehensive income attributable to owners of parent          | 5,981                                   | 11,648                                  |
| Comprehensive income attributable to non-controlling interests | (3)                                     | (1)                                     |

**(Reference)****Non-Consolidated Orders Received, Net Sales and Backlog****1. Orders Received**

(Millions of Yen)

|  |                                | FY3/16 3Q<br>(From Apr. 1, 2015<br>to Dec. 31, 2015) | FY3/17 3Q<br>(From Apr. 1, 2016<br>to Dec. 31, 2016) | Increase<br>(Decrease) | Rate of change (%) |
|--|--------------------------------|--|--|------------------------|--------------------|
|  | Public works                   | 75,711   | 67,433   | (8,278)                | (10.9)             |
|  | Private works                  | 30,836   | 57,672   | 26,836                 | 87.0               |
|  | Domestic civil engineering     | 106,548  | 125,106  | 18,557                 | 17.4               |
|  | Public works                   | 5,532  | 32,927   | 27,394                 | 495.1              |
|  | Private works                  | 77,500   | 116,830  | 39,329                 | 50.7               |
|  | Domestic building construction | 83,033   | 149,757  | 66,724                 | 80.4               |
|  | Civil engineering              | 27,638   | 34,767   | 7,129                  | 25.8               |
|  | Building construction          | 30,114   | 34,144   | 4,030                  | 13.4               |
|  | Overseas                       | 57,752   | 68,912   | 11,159                 | 19.3               |
|  | Construction Total             | 247,334  | 343,776  | 96,441                 | 39.0               |
|  | Real estate and Others         | 1,011  | 1,955  | 943                    | 93.3               |
|  | Total                          | 248,346  | 345,731  | 97,385                 | 39.2               |

**2. Net Sales**

(Millions of Yen)

|  |                                | FY3/16 3Q<br>(From Apr. 1, 2015<br>to Dec. 31, 2015) | FY3/17 3Q<br>(From Apr. 1, 2016<br>to Dec. 31, 2016) | Increase<br>(Decrease) | Rate of change (%) |
|--|--------------------------------|--|--|------------------------|--------------------|
|  | Public works                   | 73,326   | 75,642   | 2,315                  | 3.2                |
|  | Private works                  | 26,435   | 26,900   | 465                    | 1.8                |
|  | Domestic civil engineering     | 99,761   | 102,543  | 2,781                  | 2.8                |
|  | Public works                   | 23,384   | 17,249   | (6,134)                | (26.2)             |
|  | Private works                  | 94,755   | 90,902   | (3,852)                | (4.1)              |
|  | Domestic building construction | 118,139  | 108,152  | (9,987)                | (8.5)              |
|  | Civil engineering              | 68,479   | 85,302   | 16,822                 | 24.6               |
|  | Building construction          | 46,635   | 45,132   | (1,503)                | (3.2)              |
|  | Overseas                       | 115,115  | 130,434  | 15,319                 | 13.3               |
|  | Construction Total             | 333,017  | 341,130  | 8,112                  | 2.4                |
|  | Real estate and Others         | 4,272  | 1,708  | (2,563)                | (60.0)             |
|  | Total                          | 337,289  | 342,838  | 5,549                  | 1.6                |

**3. Backlog**

(Millions of Yen)

|  |                                | FY3/16 3Q<br>(Dec. 31, 2015) | FY3/17 3Q<br>(Dec. 31, 2016) | Increase<br>(Decrease) | Rate of change (%) |
|--|--------------------------------|------------------------------|------------------------------|------------------------|--------------------|
|  | Public works                   | 137,226                      | 138,955                      | 1,728                  | 1.3                |
|  | Private works                  | 25,815                       | 55,496                       | 29,680                 | 115.0              |
|  | Domestic civil engineering     | 163,042                      | 194,451                      | 31,409                 | 19.3               |
|  | Public works                   | 36,236                       | 57,198                       | 20,961                 | 57.8               |
|  | Private works                  | 92,369                       | 133,863                      | 41,494                 | 44.9               |
|  | Domestic building construction | 128,605                      | 191,061                      | 62,456                 | 48.6               |
|  | Civil engineering              | 252,070                      | 164,431                      | (87,638)               | (34.8)             |
|  | Building construction          | 125,619                      | 160,670                      | 35,051                 | 27.9               |
|  | Overseas                       | 377,690                      | 325,102                      | (52,587)               | (13.9)             |
|  | Construction Total             | 669,337                      | 710,615                      | 41,277                 | 6.2                |
|  | Real estate and Others         | 632                          | 2,288                        | 1,655                  | 261.8              |
|  | Total                          | 669,970                      | 712,904                      | 42,933                 | 6.4                |