

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2018

November 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: November 13, 2017

1. Business results for the fiscal year ending March 2018 (Apr. 1, 2017- Sep. 30, 2017)

(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)	(%)
FY3/18 2Q	250,796	4.0	13,438	15.1	13,690	28.8	9,885	46.0
FY3/17 2Q	241,194	5.4	11,670	38.2	10,632	37.1	6,769	51.0

Note: Comprehensive income (Millions of Yen) Sep. 30, 2017 term: 10,682 (52.4%) Sep. 30, 2016 term: 7,011 (72.4%)

	Earnings per share (Yen)	Earnings per share (diluted) (Yen)
FY3/18 2Q	34.59	-
FY3/17 2Q	23.68	-

(2) Consolidated financial position

	Total assets (Millions of Yen)	Total net assets (Millions of Yen)	Total net assets/ total assets (%)
Sep. 30, 2017	397,347	103,396	26.0
Mar. 31, 2017	372,311	96,444	25.9

Reference: Shareholders' Equity (Millions of Yen) Sep. 30, 2017: 103,324 Mar. 31, 2017: 96,377

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	-	-	-	12.00	12.00
FY3/18	-	-	-	-	-
FY3/18 (Forecast)	-	-	-	12.00	12.00

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

3. Earnings forecasts for fiscal year ending March 2018 (Apr. 1, 2017 - Mar. 31, 2018)

	Net Sales (Millions of Yen, %)		Operating income (Millions of Yen, %)		Ordinary income (Millions of Yen, %)		Profit attributable to owners of parent (Millions of Yen, %)		Earnings per share (Yen)
Entire term	545,000	8.9	24,500	0.9	24,000	1.2	15,500	1.5	54.24

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) :

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) :

Sep. 2017 term:	286,013,910	Mar. 2017 term:	286,013,910
Sep. 2017 term:	567,129	Mar. 2017 term:	110,614
Sep. 2017 term:	285,780,804	Sep. 2016 term:	285,903,852

※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, 2018 are the same as ones provided in May 10, 2017.

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, 2017	September 30, 2017
Assets		
Current assets		
Cash and deposits	72,463	104,479
Notes receivable, accounts receivable from completed construction contracts and other	164,460	151,902
Costs on uncompleted construction contracts and other	12,654	12,074
Real estate for sale and development projects in progress	4,444	4,027
Accounts receivable - other	16,997	23,697
Other	6,941	6,508
Allowance for doubtful accounts	(756)	(720)
Total current assets	277,205	301,969
Non-current assets		
Property, plant and equipment		
Land	31,855	31,739
Other, net	40,846	40,289
Total property, plant and equipment	72,701	72,029
Intangible assets	1,406	1,344
Investments and other assets		
Investment securities	16,043	17,085
Net defined benefit asset	1,771	2,101
Other	3,493	3,128
Allowance for doubtful accounts	(351)	(341)
Total investments and other assets	20,956	21,974
Total non-current assets	95,065	95,347
Deferred assets	40	30
Total assets	372,311	397,347

(Millions of Yen)

March 31, 2017 September 30, 2017

Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	111,817	121,598
Electronically recorded obligations - operating	26,058	32,289
Short-term loans payable	24,131	25,992
Current portion of bonds	—	10,000
Income taxes payable	5,420	4,688
Advances received on uncompleted construction contracts	29,707	26,501
Provision	5,772	5,376
Other	32,443	30,355
Total current liabilities	235,351	256,802
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	15,590	12,036
Deferred tax liabilities for land revaluation	3,691	3,691
Provision	151	—
Net defined benefit liability	357	482
Other	724	937
Total non-current liabilities	40,514	37,148
Total liabilities	275,866	293,950
Net assets		
Shareholders' equity		
Capital stock	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	39,841	46,280
Treasury shares	(26)	(325)
Total shareholders' equity	88,652	94,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,242	3,970
Deferred gains or losses on hedges	69	7
Revaluation reserve for land	3,920	3,936
Foreign currency translation adjustment	(77)	(139)
Remeasurements of defined benefit plans	569	758
Total accumulated other comprehensive income	7,724	8,532
Non-controlling interests	67	72
Total net assets	96,444	103,396
Total liabilities and net assets	372,311	397,347

Consolidated Quarterly Statements of Income

	(Millions of Yen)	
	FY3/17 2Q	FY3/18 2Q
	(From Apr. 1, 2016 to Sep. 30, 2016)	(From Apr. 1, 2017 to Sep. 30, 2017)
Net sales		
Net sales of completed construction contracts	236,537	246,618
Net sales of development business and other	4,656	4,178
Total net sales	241,194	250,796
Cost of sales		
Cost of sales of completed construction contracts	217,653	225,306
Cost of sales on development business and other	3,649	3,646
Total cost of sales	221,303	228,952
Gross profit		
Gross profit on completed construction contracts	18,883	21,312
Gross profit on development business and other	1,007	531
Total gross profit	19,891	21,843
Selling, general and administrative expenses	8,220	8,405
Operating profit	11,670	13,438
Non-operating income		
Interest income	45	63
Dividend income	259	223
Foreign exchange gains	—	181
Other	358	265
Total non-operating income	663	733
Non-operating expenses		
Interest expenses	410	296
Foreign exchange losses	1,166	—
Other	124	185
Total non-operating expenses	1,701	481
Ordinary profit	10,632	13,690
Extraordinary income		
Gain on sales of non-current assets	36	67
Gain on sales of investment securities	59	33
Gain on liquidation of subsidiaries	—	27
Other	4	4
Total extraordinary income	100	134
Extraordinary losses		
Loss on sales of non-current assets	0	22
Loss on retirement of non-current assets	14	41
Other	0	6
Total extraordinary losses	14	70
Profit before income taxes	10,718	13,754
Income taxes - current	3,424	3,719
Income taxes - deferred	525	148
Total income taxes	3,950	3,868
Profit	6,768	9,886
Profit (loss) attributable to non-controlling interests	(0)	1
Profit attributable to owners of parent	6,769	9,885

Consolidated Quarterly Statements of Comprehensive Income

	(Millions of Yen)			
	FY3/17	2Q	FY3/18	2Q
	(From Apr. 1, 2016 to Sep. 30, 2016)		(From Apr. 1, 2017 to Sep. 30, 2017)	
Profit		6,768		9,886
Other comprehensive income				
Valuation difference on available-for-sale securities		10		728
Deferred gains or losses on hedges		(5)		(61)
Foreign currency translation adjustment		5		(59)
Remeasurements of defined benefit plans, net of tax		232		188
Total other comprehensive income		242		796
Comprehensive income		7,011		10,682
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		7,015		10,677
Comprehensive income attributable to non-controlling interests		(4)		4

Consolidated statements of cash flows

(Millions of Yen)

	FY3/17	2Q	FY3/18	2Q
	(From Apr. 1, 2016 to Sep. 30, 2016)		(From Apr. 1, 2017 to Sep. 30, 2017)	
Cash flows from operating activities				
Profit before income taxes		10,718		13,754
Depreciation		2,507		3,031
Increase (decrease) in allowance for doubtful accounts		(711)		(46)
Increase (decrease) in provision for bonuses		148		117
Increase (decrease) in provision for loss on construction contracts		(742)		(414)
Increase (decrease) in net defined benefit liability		30		125
Decrease (increase) in net defined benefit asset		(179)		(329)
Interest and dividend income		(304)		(286)
Interest expenses		410		296
Foreign exchange losses (gains)		2,814		(718)
Share of (profit) loss of entities accounted for using equity method		(3)		(3)
Loss (gain) on sales of property, plant and equipment		(36)		(45)
Loss (gain) on sales of short-term and long-term investment securities		(59)		(33)
Loss (gain) on valuation of investment securities		—		3
Decrease (increase) in notes and accounts receivable - trade		21,878		12,797
Decrease (increase) in costs on uncompleted construction contracts		(1,830)		914
Decrease (increase) in inventories		(474)		108
Decrease (increase) in accounts receivable - other		575		(6,687)
Increase (decrease) in notes and accounts payable - trade		(21,192)		15,784
Increase (decrease) in advances received on uncompleted construction contracts		(3,252)		(3,211)
Other, net		(4,818)		(1,511)
Subtotal		5,477		33,645
Interest and dividend income received		305		259
Interest expenses paid		(442)		(340)
Income taxes paid		(5,518)		(4,269)
Net cash provided by (used in) operating activities		(177)		29,294
Cash flows from investing activities				
Payments into time deposits		(2,018)		(2,974)
Proceeds from withdrawal of time deposits		470		200
Purchase of short-term and long-term investment securities		(293)		(9)
Proceeds from sales and redemption of short-term and long-term investment securities		275		46
Purchase of property, plant and equipment		(5,125)		(2,129)
Proceeds from sales of property, plant and equipment		42		317
Collection of loans receivable		16		16
Other, net		(118)		(165)
Net cash provided by (used in) investing activities		(6,750)		(4,698)

Consolidated statements of cash flows

(Millions of Yen)

	FY3/17	2Q	FY3/18	2Q
	(From Apr. 1, 2016 to Sep. 30, 2016)		(From Apr. 1, 2017 to Sep. 30, 2017)	
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable		3,605		2,437
Proceeds from long-term loans payable		1,630		—
Repayments of long-term loans payable		(5,227)		(4,299)
Proceeds from issuance of bonds		—		9,950
Cash dividends paid		(1,706)		(3,415)
Other, net		(53)		(367)
Net cash provided by (used in) financing activities		(1,751)		4,306
Effect of exchange rate change on cash and cash equivalents		(2,476)		339
Net increase (decrease) in cash and cash equivalents		(11,156)		29,241
Cash and cash equivalents at beginning of period		65,434		71,770
Cash and cash equivalents at end of period		54,277		101,012

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

1. Orders Received

(Millions of Yen)

	FY3/17 2Q (From Apr. 1, 2016 to Sep. 30, 2016)	FY3/18 2Q (From Apr. 1, 2017 to Sep. 30, 2017)	Increase (Decrease)	Rate of change (%)
Public works	52,858	59,388	6,529	12.4
Private works	49,802	20,263	(29,539)	(59.3)
Domestic civil engineering	102,661	79,651	(23,010)	(22.4)
Public works	19,283	4,177	(15,106)	(78.3)
Private works	86,328	92,632	6,303	7.3
Domestic building construction	105,612	96,809	(8,802)	(8.3)
Civil engineering	31,733	189,514	157,781	497.2
Building construction	25,759	2,237	(23,522)	(91.3)
Overseas	57,493	191,752	134,259	233.5
Construction Total	265,767	368,213	102,446	38.5
Real estate and Others	1,713	335	(1,378)	(80.4)
Total	267,480	368,548	101,067	37.8

2. Net Sales

(Millions of Yen)

	FY3/17 2Q (From Apr. 1, 2016 to Sep. 30, 2016)	FY3/18 2Q (From Apr. 1, 2017 to Sep. 30, 2017)	Increase (Decrease)	Rate of change (%)
Public works	48,979	57,267	8,287	16.9
Private works	18,235	22,948	4,713	25.8
Domestic civil engineering	67,214	80,215	13,001	19.3
Public works	11,123	9,421	(1,702)	(15.3)
Private works	60,236	55,651	(4,584)	(7.6)
Domestic building construction	71,360	65,073	(6,286)	(8.8)
Civil engineering	61,268	45,404	(15,864)	(25.9)
Building construction	27,847	45,851	18,003	64.7
Overseas	89,116	91,256	2,139	2.4
Construction Total	227,691	236,545	8,854	3.9
Real estate and Others	157	345	187	119.6
Total	227,848	236,890	9,042	4.0

3. Backlog

(Millions of Yen)

	FY3/17 2Q (Sep. 30, 2016)	FY3/18 2Q (Sep. 30, 2017)	Increase (Decrease)	Rate of change (%)
Public works	151,044	157,176	6,132	4.1
Private works	56,291	58,502	2,210	3.9
Domestic civil engineering	207,335	215,678	8,342	4.0
Public works	49,680	60,439	10,759	21.7
Private works	134,027	151,022	16,994	12.7
Domestic building construction	183,708	211,462	27,753	15.1
Civil engineering	179,192	305,943	126,751	70.7
Building construction	162,336	105,592	(56,743)	(35.0)
Overseas	341,528	411,535	70,007	20.5
Construction Total	732,571	838,676	106,104	14.5
Real estate and Others	3,598	58	(3,540)	(98.4)
Total	736,170	838,734	102,564	13.9