

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2020

November 8, 2019

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, 2019

1. Business results for the fiscal year ending March 2020 (Apr. 1, 2019- Sep. 30, 2019)

(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)	(%)
FY3/20 2Q	295,224	20.8	17,172	13.7	17,359	15.1	12,073	11.2
FY3/19 2Q	244,478	(2.5)	15,107	12.4	15,080	10.2	10,852	9.8

Note: Comprehensive income (Millions of Yen) Sep. 30, 2019 term: 11,363(2.5%) Sep. 30, 2018 term: 11,649(9.1%)

	Net income per share (Yen)	Diluted Net income per share (Yen)
FY3/20 2Q	42.31	-
FY3/19 2Q	38.02	-

(2) Consolidated financial position

	Total assets (Millions of Yen)	Total net assets (Millions of Yen)	Total net assets/ total assets (%)
Sep. 30, 2019	443,041	132,516	29.9
Mar. 31, 2019	383,839	126,573	33.0

Reference: Shareholders' Equity (Millions of Yen) Sep. 30, 2019: 132,453 Mar. 31, 2019: 126,517

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
FY3/19	-	-	-	19.00	19.00
FY3/20	-	-	-	-	-
FY3/20 (Forecast)	-	-	-	20.00	20.00

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

3. Consolidated forecasts for fiscal year ending March 2020 (Apr. 1, 2019 - Mar. 31, 2020)

	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	580,000	7.0	30,500	4.3	29,500	11.0	19,500	3.2	68.33

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. 2019 term:	286,013,910	Mar. 2019 term:	286,013,910
-----------------	-------------	-----------------	-------------

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

Sep. 2019 term:	640,478	Mar. 2019 term:	655,020
-----------------	---------	-----------------	---------

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

Sep. 2019 term:	285,365,053	Sep. 2018 term:	285,423,065
-----------------	-------------	-----------------	-------------

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, 2020 are the same as ones provided in May 10, 2019.
- 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 various 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, 2019	September 30, 2019
Assets		
Current assets		
Cash and deposits	36,204	49,047
Notes receivable, accounts receivable from completed construction contracts and other	192,199	242,900
Securities	58	128
Costs on construction contracts in progress	13,722	15,160
Real estate for sale and development projects in progress	3,074	2,929
Accounts receivable - other	25,814	19,399
Other	3,408	5,479
Allowance for doubtful accounts	(717)	(899)
Total current assets	273,764	334,146
Non-current assets		
Property, plant and equipment		
Land	33,710	33,710
Other, net	47,354	46,418
Total property, plant and equipment	81,065	80,128
Intangible assets	1,345	1,381
Investments and other assets		
Investment securities	20,024	18,888
Retirement benefit asset	1,911	2,240
Other	9,030	9,402
Allowance for doubtful accounts	(3,305)	(3,145)
Total investments and other assets	27,661	27,385
Total non-current assets	110,072	108,895
Deferred assets	3	—
Total assets	383,839	443,041

(Millions of Yen)

	March 31, 2019	September 30, 2019
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	115,309	120,451
Short-term borrowings	28,528	54,098
Commercial papers	—	20,000
Current portion of bonds	—	10,000
Income taxes payable	4,894	6,229
Advances received on construction contracts in progress	22,610	20,804
Provisions	5,765	6,537
Other	44,165	45,716
Total current liabilities	221,274	283,838
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	10,962	11,664
Deferred tax liabilities for land revaluation	3,679	3,679
Provisions	166	174
Retirement benefit liability	538	571
Other	645	597
Total non-current liabilities	35,991	26,687
Total liabilities	257,266	310,525
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	69,143	75,787
Treasury shares	(383)	(373)
Total shareholders' equity	117,597	124,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,595	3,974
Deferred gains or losses on hedges	(18)	(45)
Revaluation reserve for land	3,910	3,910
Foreign currency translation adjustment	(126)	(148)
Remeasurements of defined benefit plans	558	512
Total accumulated other comprehensive income	8,919	8,202
Non-controlling interests	56	62
Total net assets	126,573	132,516
Total liabilities and net assets	383,839	443,041

Consolidated Quarterly Statements of Income

	(Millions of Yen)	
	FY3/19 2Q	FY3/20 2Q
	(From Apr. 1, 2018 to Sep. 30, 2018)	(From Apr. 1, 2019 to Sep. 30, 2019)
Net sales		
Net sales of completed construction contracts	240,072	291,406
Other sales	4,405	3,817
Total net sales	244,478	295,224
Cost of sales		
Cost of sales of completed construction contracts	217,355	266,276
Other cost of sales	3,500	2,704
Total cost of sales	220,855	268,980
Gross profit		
Gross profit on completed construction contracts	22,717	25,130
Gross profit - other	905	1,112
Total gross profit	23,623	26,243
Selling, general and administrative expenses	8,515	9,071
Operating income	15,107	17,172
Non-operating income		
Interest income	89	64
Dividend income	358	235
Reversal of allowance for doubtful accounts	7	150
Other	139	211
Total non-operating income	594	662
Non-operating expenses		
Interest expenses	384	414
Other	236	60
Total non-operating expenses	621	475
Ordinary income	15,080	17,359
Extraordinary income		
Gain on sales of non-current assets	37	182
Other	0	2
Total extraordinary income	38	185
Extraordinary losses		
Loss on sales of non-current assets	2	5
Loss on retirement of non-current assets	17	17
Loss on contribution of securities to retirement benefit trust	—	46
Other	14	—
Total extraordinary losses	34	69
Income before income taxes	15,084	17,475
Income taxes - current	4,039	5,735
Income taxes - deferred	191	(340)
Total income taxes	4,230	5,394
Net income	10,853	12,080
Net income attributable to non-controlling interests	0	6
Net income attributable to owners of parent	10,852	12,073

Consolidated Quarterly Statements of Comprehensive Income

	(Millions of Yen)			
	FY3/19	2Q	FY3/20	2Q
	(From Apr. 1, 2018 to Sep. 30, 2018)		(From Apr. 1, 2019 to Sep. 30, 2019)	
Net income		10,853		12,080
Other comprehensive income				
Valuation difference on available-for-sale securities		775		(620)
Deferred gains or losses on hedges		(108)		(27)
Foreign currency translation adjustment		48		(22)
Remeasurements of defined benefit plans, net of tax		79		(45)
Total other comprehensive income		795		(717)
Comprehensive income		11,649		11,363
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		11,649		11,356
Comprehensive income attributable to non-controlling interests		0		6

Consolidated statements of cash flows

(Millions of Yen)

	FY3/19	2Q	FY3/20	2Q
	(From Apr. 1, 2018 to Sep. 30, 2018)		(From Apr. 1, 2019 to Sep. 30, 2019)	
Cash flows from operating activities				
Income before income taxes		15,084		17,475
Depreciation		3,349		4,313
Increase (decrease) in allowance for doubtful accounts		29		23
Increase (decrease) in provision for bonuses		130		114
Increase (decrease) in provision for loss on construction contracts		176		478
Increase (decrease) in net defined benefit liability		23		33
Decrease (increase) in net defined benefit asset		(164)		(148)
Interest and dividend income		(447)		(300)
Interest expenses		384		414
Foreign exchange losses (gains)		(1,199)		928
Share of loss (profit) of entities accounted for using equity method		(4)		5
Loss (gain) on sales of property, plant and equipment		(34)		(176)
Loss (gain) on sales of short-term and long-term investment securities		0		(0)
Loss (gain) on valuation of investment securities		0		—
Decrease (increase) in trade receivables		339		(50,870)
Decrease (increase) in costs on construction contracts in progress		(3,200)		(1,341)
Decrease (increase) in inventories		104		(23)
Decrease (increase) in accounts receivable - other		(3,872)		6,401
Increase (decrease) in trade payables		(33,992)		4,638
Increase (decrease) in advances received on construction contracts in progress		15,261		(1,811)
Other, net		2,114		(204)
Subtotal		(5,916)		(20,052)
Interest and dividends received		414		202
Interest paid		(439)		(249)
Income taxes paid		(5,021)		(4,449)
Net cash provided by (used in) operating activities		(10,963)		(24,549)
Cash flows from investing activities				
Payments into time deposits		(2,993)		(31)
Proceeds from withdrawal of time deposits		100		99
Purchase of short-term and long-term investment securities		(1,311)		(10)
Proceeds from sales and redemption of short-term and long-term investment securities		18		1
Purchase of property, plant and equipment		(2,411)		(3,734)
Proceeds from sales of property, plant and equipment		62		849
Collection of loans receivable		16		2
Other, net		(171)		(262)
Net cash provided by (used in) investing activities		(6,690)		(3,085)

Consolidated statements of cash flows

(Millions of Yen)

	FY3/19	2Q	FY3/20	2Q
	(From Apr. 1, 2018 to Sep. 30, 2018)		(From Apr. 1, 2019 to Sep. 30, 2019)	
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		18,574		28,758
Net increase (decrease) in commercial papers		—		20,000
Proceeds from long-term borrowings		6,956		3,380
Repayments of long-term borrowings		(4,784)		(5,225)
Redemption of bonds		(10,000)		—
Dividends paid		(3,988)		(5,413)
Other, net		(143)		(20)
Net cash provided by (used in) financing activities		6,614		41,479
Effect of exchange rate change on cash and cash equivalents		1,220		(932)
Net increase (decrease) in cash and cash equivalents		(9,819)		12,912
Cash and cash equivalents at beginning of period		65,112		35,610
Cash and cash equivalents at end of period		55,292		48,522

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

1. Orders Received

(Millions of Yen)

	FY3/19 2Q (From Apr. 1, 2018 to Sep. 30, 2018)	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	Increase (Decrease)	Rate of change (%)
Public works	65,949	55,096	(10,853)	(16.5)
Private works	15,437	19,596	4,159	26.9
Domestic civil engineering	81,387	74,692	(6,694)	(8.2)
Public works	9,990	5,829	(4,161)	(41.6)
Private works	75,330	65,526	(9,804)	(13.0)
Domestic building construction	85,321	71,356	(13,965)	(16.4)
Civil engineering	68,862	15,760	(53,102)	(77.1)
Building construction	46,491	7,586	(38,905)	(83.7)
Overseas	115,354	23,346	(92,008)	(79.8)
Construction Total	282,063	169,395	(112,668)	(39.9)
Others	144	145	0	0.3
Total	282,208	169,540	(112,667)	(39.9)

2. Net Sales

(Millions of Yen)

	FY3/19 2Q (From Apr. 1, 2018 to Sep. 30, 2018)	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	Increase (Decrease)	Rate of change (%)
Public works	59,251	70,092	10,840	18.3
Private works	25,577	23,510	(2,067)	(8.1)
Domestic civil engineering	84,829	93,602	8,773	10.3
Public works	11,623	20,752	9,129	78.5
Private works	64,562	84,591	20,028	31.0
Domestic building construction	76,186	105,343	29,157	38.3
Civil engineering	48,499	64,095	15,596	32.2
Building construction	22,716	13,717	(8,998)	(39.6)
Overseas	71,215	77,813	6,597	9.3
Construction Total	232,231	276,759	44,528	19.2
Others	144	145	0	0.3
Total	232,376	276,904	44,528	19.2

3. Backlog

(Millions of Yen)

	FY3/19 2Q (Sep. 30, 2018)	FY3/20 2Q (Sep. 30, 2019)	Increase (Decrease)	Rate of change (%)
Public works	156,408	144,529	(11,878)	(7.6)
Private works	51,227	37,609	(13,618)	(26.6)
Domestic civil engineering	207,635	182,138	(25,497)	(12.3)
Public works	60,010	32,870	(27,140)	(45.2)
Private works	192,962	172,645	(20,317)	(10.5)
Domestic building construction	252,972	205,515	(47,457)	(18.8)
Civil engineering	382,024	274,833	(107,191)	(28.1)
Building construction	89,531	82,647	(6,883)	(7.7)
Overseas	471,556	357,481	(114,074)	(24.2)
Construction Total	932,165	745,135	(187,029)	(20.1)
Others	—	—	—	—
Total	932,165	745,135	(187,029)	(20.1)