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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 [Japanese GAAP]

May 11, 2020

Company name: PENTA-OCEAN CONSTRUCTION CO.,LTD.

Stock exchange listing: Tokyo, Nagoya

Code number: 1893

URL: <http://penta-ocean.co.jp>

Representative: Takuzo Shimizu President, Chief Executive Officer and Representative Director

Contact: Syunji Kitahashi Managing Executive Officer, General Manager, Head of Accounting Division

Phone: (03)3817-7619

Schedule of ordinary general meeting of shareholders date: June 25, 2020

Schedule of payment of dividends date: June 26, 2020

Schedule of financial statement reporting date: June 25, 2020

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 01, 2019 to March 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/20	573,842	5.9	33,161	13.4	32,545	22.5	23,352	23.6
FY3/19	541,949	2.9	29,232	5.8	26,569	3.4	18,899	6.0

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥ 20,077 million [7.9%]
Fiscal year ended March 31, 2019: ¥ 18,601 million [(3.7)%]

	Net income per share	Diluted net income per share	Rate of return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
FY3/20	81.83	-	17.4	8.0	5.8
FY3/19	66.22	-	15.8	6.6	5.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2020: ¥ 1 million
Fiscal year ended March 31, 2019: ¥ 8 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2020	428,875	141,299	32.9	494.70
March 31, 2019	383,839	126,573	33.0	443.36

(Reference) Equity: As of March 31, 2020: ¥ 141,174 million
As of March 31, 2019: ¥ 126,517 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY3/20	4,444	(9,081)	13,500	43,027
FY3/19	(6,557)	(11,227)	(12,455)	35,610

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/20	-	-	-	19.00	19.00	5,430	28.7	4.5
FY3/19	-	-	-	24.00	24.00	6,859	29.4	5.1
FY3/21 (Forecast)	-	-	-	20.00	20.00		30.9	

(Note) Total dividends contain the dividends for the trust banks of the Board Benefit Trust (BBT), JPY8 million in FY3/19, and JPY10 million in FY3/20. The payout ratio is calculated, by dividing the Total dividends by the profit attributable to owners of parent.

For FY 3/21, JPY 5 commemorative dividends for the company's 125th anniversary of the founding will be added to regular dividends.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 01, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2020	223,200	(24.4)	12,500	(27.2)	12,300	(29.1)	8,600	(28.8)	30.14
Full year	493,000	(14.1)	27,500	(17.1)	27,000	(17.0)	18,500	(20.8)	64.83

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2020: 286,013,910 shares

March 31, 2019: 286,013,910 shares

2) Total number of treasury shares at the end of the period:

March 31, 2020: 640,654 shares

March 31, 2019: 655,020 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2020: 285,368,866 shares

Fiscal Year ended March 31, 2019: 285,393,454 shares

Note: Both the number of shares of treasury stock as of the end of FY3/19, 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 review procedures.

Notes: Request for appropriate use of the business outlook and other special remarks:

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 Financial Statements

Consolidated Balance Sheets

(Million yen)

	March 31,2019	March 31,2020
Assets		
Current assets		
Cash and deposits	36,204	43,621
Notes receivable, accounts receivable from completed construction contracts and other	192,199	239,344
Securities	58	74
Costs on construction contracts in progress	13,722	12,941
Real estate for sale and development projects in progress	3,074	1,902
Accounts receivable - other	25,814	20,265
Other	3,408	2,815
Allowance for doubtful accounts	(717)	(702)
Total current assets	273,764	320,264
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,582	37,287
Machinery, vehicles, tools, furniture and fixtures	106,253	104,875
Land	33,710	33,580
Construction in progress	1,175	3,873
Other	169	156
Accumulated depreciation	(97,825)	(99,845)
Total property, plant and equipment	81,065	79,928
Intangible assets	1,345	1,454
Investments and other assets		
Investment securities	20,024	17,152
Deferred tax assets	2,917	6,158
Retirement benefit asset	1,911	1,259
Other	6,113	5,717
Allowance for doubtful accounts	(3,305)	(3,060)
Total investments and other assets	27,661	27,228
Total non-current assets	110,072	108,611
Deferred assets	3	-
Total assets	383,839	428,875

(Million yen)

	March 31,2019	March 31,2020
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	115,309	118,816
Short-term borrowings	28,528	24,673
Commercial papers	-	17,999
Current portion of bonds payable	-	10,000
Income taxes payable	4,894	7,357
Advances received on construction contracts in progress	22,610	20,932
Deposits received	36,344	40,062
Provision for warranties for completed construction	1,335	2,022
Provision for bonuses	2,805	2,929
Provision for loss on construction contracts	1,625	1,935
Other	7,821	10,274
Total current liabilities	221,274	257,003
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	10,962	14,858
Deferred tax liabilities for land revaluation	3,679	3,679
Provision for share-based remuneration for directors (and other officers)	166	214
Retirement benefit liability	538	1,252
Other	645	566
Total non-current liabilities	35,991	30,572
Total liabilities	257,266	287,575
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	69,143	87,066
Treasury shares	(383)	(373)
Total shareholders' equity	117,597	135,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,595	2,673
Deferred gains or losses on hedges	(18)	43
Revaluation reserve for land	3,910	3,910
Foreign currency translation adjustment	(126)	(166)
Remeasurements of defined benefit plans	558	(815)
Total accumulated other comprehensive income	8,919	5,645
Non-controlling interests	56	125
Total net assets	126,573	141,299
Total liabilities and net assets	383,839	428,875

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)
Net sales		
Net sales of completed construction contracts	531,851	564,135
Other sales	10,098	9,707
Net sales	541,949	573,842
Cost of sales		
Cost of sales of completed construction contracts	487,677	513,945
Other cost of sales	7,523	7,998
Cost of sales	495,201	521,943
Gross profit		
Gross profit on completed construction contracts	44,173	50,190
Gross profit - other	2,574	1,708
Gross profit	46,748	51,899
Selling, general and administrative expenses	17,515	18,738
Operating income	29,232	33,161
Non-operating income		
Interest income	164	161
Dividend income	497	380
Reversal of allowance for doubtful accounts	144	252
Rental income from real estate	138	144
Other	191	216
Non-operating income	1,137	1,154
Non-operating expenses		
Interest expenses	845	924
Foreign exchange losses	695	737
Other	2,259	107
Non-operating expenses	3,800	1,770
Ordinary income	26,569	32,545
Extraordinary income		
Gain on sales of non-current assets	87	278
Other	4	5
Extraordinary income	92	284
Extraordinary losses		
Loss on sales of non-current assets	11	79
Loss on retirement of non-current assets	70	248
Loss on contribution of securities to retirement benefit trust	-	46
Other	18	0
Extraordinary losses	101	374
Income before income taxes	26,560	32,455
Income taxes - current	8,114	10,917
Income taxes - deferred	(450)	(1,817)
Income taxes	7,664	9,100
Net income	18,895	23,354
Net income (loss) attributable to non-controlling interests	(3)	2
Net income attributable to owners of parent	18,899	23,352

Consolidated Statements of Comprehensive Income

	(Million yen)	
	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)
Net income	18,895	23,354
Other comprehensive income		
Valuation difference on available-for-sale securities	160	(1,922)
Deferred gains or losses on hedges	(44)	62
Foreign currency translation adjustment	34	(43)
Remeasurements of defined benefit plans, net of tax	(443)	(1,373)
Total other comprehensive income	(293)	(3,277)
Comprehensive income	18,601	20,077
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,605	20,078
Comprehensive income attributable to non-controlling interests	(3)	(1)

Consolidated Statements of Cash Flows

	(Million yen)	
	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)
Cash flows from operating activities		
Income before income taxes	26,560	32,455
Depreciation	7,738	9,085
Increase (decrease) in allowance for doubtful accounts	1,990	(260)
Increase (decrease) in provision for bonuses	316	124
Increase (decrease) in provision for loss on construction contracts	293	310
Increase (decrease) in retirement benefit liability	32	(190)
Decrease (increase) in retirement benefit asset	(352)	(156)
Interest and dividend income	(662)	(542)
Interest expenses	845	924
Foreign exchange losses (gains)	(621)	1,368
Share of loss (profit) of entities accounted for using equity method	(8)	(1)
Loss (gain) on sales of property, plant and equipment	(75)	(199)
Loss (gain) on sales of short-term and long-term investment securities	1	(0)
Loss (gain) on valuation of investment securities	0	-
Decrease (increase) in trade receivables	481	(47,398)
Decrease (increase) in costs on construction contracts in progress	3,610	522
Decrease (increase) in inventories	381	1,320
Increase (decrease) in trade payables	(24,980)	3,830
Increase (decrease) in advances received on construction contracts in progress	(21,917)	(1,610)
Decrease (increase) in accounts receivable - other	5,556	5,526
Other, net	3,134	8,328
Subtotal	2,324	13,436
Interest and dividends received	582	553
Interest paid	(770)	(911)
Income taxes paid	(8,693)	(8,633)
Net cash provided by (used in) operating activities	(6,557)	4,444
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(1,748)	(145)
Proceeds from sales and redemption of short-term and long-term investment securities	18	1
Purchase of property, plant and equipment	(9,316)	(9,736)
Proceeds from sales of property, plant and equipment	145	1,350
Collection of loans receivable	32	5
Other, net	(359)	(557)
Net cash provided by (used in) investing activities	(11,227)	(9,081)

	(Million yen)	
	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,899	118
Net increase (decrease) in commercial papers	-	17,999
Proceeds from long-term borrowings	8,312	9,646
Repayments of long-term borrowings	(8,472)	(8,842)
Redemption of bonds	(10,000)	-
Dividends paid	(3,993)	(5,421)
Other, net	(202)	0
Net cash provided by (used in) financing activities	(12,455)	13,500
Effect of exchange rate change on cash and cash equivalents	739	(1,445)
Net increase (decrease) in cash and cash equivalents	(29,501)	7,417
Cash and cash equivalents at beginning of period	65,112	35,610
Cash and cash equivalents at end of period	35,610	43,027

(Reference)

Non-Consolidated Orders Received, Net Sales and Backlog

1. Orders Received

(Millions of Yen)

	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)	Increase (Decrease)	Rate of change (%)
Public works	133,952	126,722	(7,230)	(5.4)
Private works	28,406	66,065	37,659	132.6
Domestic civil engineering	162,359	192,788	30,428	18.7
Public works	14,810	24,505	9,695	65.5
Private works	159,060	140,597	(18,462)	(11.6)
Domestic building construction	173,870	165,103	(8,766)	(5.0)
Civil engineering	86,279	66,916	(19,363)	(22.4)
Building construction	77,853	14,603	(63,249)	-81.2
Overseas	164,132	81,520	(82,612)	(50.3)
Construction Total	500,362	439,411	(60,950)	(12.2)
Others	997	352	(644)	(64.6)
Total	501,359	439,764	(61,595)	(12.3)

2. Net Sales

(Millions of yen)

	FY3/19 (From Apr. 1, 2018 to Mar. 31, 2019)	FY3/20 (From Apr. 1, 2019 to Mar. 31, 2020)	Increase (Decrease)	Rate of change (%)
Public works	124,138	147,948	23,810	19.2
Private works	48,250	46,405	(1,845)	(3.8)
Domestic civil engineering	172,388	194,354	21,965	12.7
Public works	28,659	40,137	11,477	40.0
Private works	149,545	152,456	2,911	1.9
Domestic building construction	178,205	192,594	14,389	8.1
Civil engineering	109,070	124,463	15,392	14.1
Building construction	51,531	29,764	(21,766)	(42.2)
Overseas	160,601	154,227	(6,373)	(4.0)
Construction Total	511,195	541,176	29,980	5.9
Others	997	352	(644)	(64.6)
Total	512,192	541,528	29,336	5.7

3. Backlog

(Millions of yen)

	FY3/19 (Mar. 31, 2019)	FY3/20 (Mar. 31, 2020)	Increase (Decrease)	Rate of change (%)
Public works	159,524	138,298	(21,226)	(13.3)
Private works	41,523	61,184	19,660	47.3
Domestic civil engineering	201,048	199,482	(1,566)	(0.8)
Public works	47,793	32,161	(15,631)	(32.7)
Private works	191,709	179,851	(11,858)	(6.2)
Domestic building construction	239,502	212,012	(27,490)	(11.5)
Civil engineering	340,648	271,680	(68,968)	(20.2)
Building construction	92,275	76,342	(15,932)	(17.3)
Overseas	432,923	348,022	(84,901)	(19.6)
Construction Total	873,474	759,516	(113,958)	(13.0)
Others	-	-	-	-
Total	873,474	759,516	(113,958)	(13.0)