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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2021 [Japanese GAAP]

November 09, 2020

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

Stock exchange listing: Tokyo, Nagoya

Code number: 1893

URL: <http://www.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

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Scheduled date of filing quarterly securities report: November 09, 2020

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 01, 2020 to September 30, 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	%
FY3/21 2Q	227,356	(23.0)	14,968	(12.8)	15,081	(13.1)	10,490	(13.1)
FY3/20 2Q	295,224	20.8	17,172	13.7	17,359	15.1	12,073	11.2

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ 11,671 million [2.7%]
Six months ended September 30, 2019: ¥ 11,363 million [(2.5)%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/21 2Q	36.77	-
FY3/20 2Q	42.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2020	409,827	145,896	35.6
March 31, 2020	428,875	141,299	32.9

(Reference) Equity: As of September 30, 2020: ¥ 145,769 million
As of March 31, 2020: ¥ 141,174 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	-	-	24.00	24.00
FY3/21	-	-	-	-	-
FY3/21 (Forecast)	-	-	-	20.00	20.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) 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
Full year	493,000	(14.1)	27,500	(17.1)	27,000	(17.0)	18,500	(20.8)	64.87

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2020

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) 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

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

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

September 30, 2020: 286,013,910 shares

March 31, 2020: 286,013,910 shares

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

September 30, 2020: 977,306 shares

March 31, 2020: 640,654 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 285,279,792 shares

Six months ended September 30, 2019: 285,365,053 shares

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, 2021 are the same as ones provided in May 11, 2020.

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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	43,621	50,394
Notes receivable, accounts receivable from completed construction contracts and other	239,344	210,731
Securities	74	3
Costs on construction contracts in progress	12,941	13,970
Real estate for sale and development projects in progress	1,902	1,873
Accounts receivable - other	20,265	17,293
Other	2,815	3,816
Allowance for doubtful accounts	(702)	(616)
Total current assets	320,264	297,468
Non-current assets		
Property, plant and equipment		
Land	33,580	33,586
Other, net	46,347	48,168
Total property, plant and equipment	79,928	81,754
Intangible assets	1,454	3,816
Investments and other assets		
Investment securities	17,152	18,360
Retirement benefit asset	1,259	1,400
Other	11,876	10,112
Allowance for doubtful accounts	(3,060)	(3,085)
Total investments and other assets	27,228	26,787
Total non-current assets	108,611	112,358
Total assets	428,875	409,827

(Million yen)

	As of March 31,2020	As of September 30,2020
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	118,816	101,767
Short-term borrowings	24,673	40,665
Commercial papers	17,999	-
Current portion of bonds payable	10,000	10,000
Income taxes payable	7,357	3,437
Advances received on construction contracts in progress	20,932	24,239
Provisions	6,887	7,221
Other	50,337	44,723
Total current liabilities	257,003	232,055
Non-current liabilities		
Bonds payable	10,000	-
Long-term borrowings	14,858	26,092
Deferred tax liabilities for land revaluation	3,679	3,679
Provisions	214	240
Retirement benefit liability	1,252	1,275
Other	566	587
Total non-current liabilities	30,572	31,875
Total liabilities	287,575	263,930
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	87,066	90,697
Treasury shares	(373)	(589)
Total shareholders' equity	135,529	138,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,673	3,796
Deferred gains or losses on hedges	43	23
Revaluation reserve for land	3,910	3,910
Foreign currency translation adjustment	(166)	(131)
Remeasurements of defined benefit plans	(815)	(774)
Total accumulated other comprehensive income	5,645	6,824
Non-controlling interests	125	126
Total net assets	141,299	145,896
Total liabilities and net assets	428,875	409,827

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

	(Million yen)	
	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)
Net sales		
Net sales of completed construction contracts	291,406	223,603
Other sales	3,817	3,753
Total net sales	295,224	227,356
Cost of sales		
Cost of sales of completed construction contracts	266,276	200,465
Other cost of sales	2,704	2,510
Total cost of sales	268,980	202,975
Gross profit		
Gross profit on completed construction contracts	25,130	23,137
Gross profit - other	1,112	1,242
Total gross profit	26,243	24,380
Selling, general and administrative expenses	9,071	9,412
Operating income	17,172	14,968
Non-operating income		
Interest income	64	38
Dividend income	235	240
Other	362	244
Total non-operating income	662	523
Non-operating expenses		
Interest expenses	414	311
Other	60	98
Total non-operating expenses	475	410
Ordinary income	17,359	15,081
Extraordinary income		
Gain on sales of non-current assets	182	68
Gain on sales of investment securities	0	44
Other	1	0
Total extraordinary income	185	113
Extraordinary losses		
Loss on valuation of investment securities	-	413
Loss on contribution of securities to retirement benefit trust	46	-
Other	23	40
Total extraordinary losses	69	454
Income before income taxes	17,475	14,739
Income taxes - current	5,735	2,898
Income taxes - deferred	(340)	1,350
Total income taxes	5,394	4,249
Net income	12,080	10,490
Net income attributable to non-controlling interests	6	0
Net income attributable to owners of parent	12,073	10,490

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

	(Million yen)	
	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)
Net income	12,080	10,490
Other comprehensive income		
Valuation difference on available-for-sale securities	(620)	1,123
Deferred gains or losses on hedges	(27)	(20)
Foreign currency translation adjustment	(22)	37
Remeasurements of defined benefit plans, net of tax	(45)	40
Total other comprehensive income	(717)	1,180
Comprehensive income	11,363	11,671
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,356	11,670
Comprehensive income attributable to non-controlling interests	6	1

Quarterly Consolidated Statements of Cash Flows

	(Million yen)	
	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)
Cash flows from operating activities		
Income before income taxes	17,475	14,739
Depreciation	4,313	3,727
Increase (decrease) in allowance for doubtful accounts	23	(60)
Increase (decrease) in provision for bonuses	114	234
Increase (decrease) in provision for loss on construction contracts	478	(90)
Increase (decrease) in retirement benefit liability	33	22
Decrease (increase) in retirement benefit asset	(148)	(140)
Interest and dividend income	(300)	(279)
Interest expenses	414	311
Foreign exchange losses (gains)	928	47
Share of loss (profit) of entities accounted for using equity method	5	(5)
Loss (gain) on sales of property, plant and equipment	(176)	(44)
Loss (gain) on sales of short-term and long-term investment securities	(0)	(44)
Loss (gain) on valuation of investment securities	-	413
Decrease (increase) in trade receivables	(50,870)	29,477
Decrease (increase) in costs on construction contracts in progress	(1,341)	(831)
Decrease (increase) in inventories	(23)	(167)
Decrease (increase) in accounts receivable - other	6,401	3,024
Increase (decrease) in trade payables	4,638	(17,880)
Increase (decrease) in advances received on construction contracts in progress	(1,811)	2,807
Other, net	(204)	(6,786)
Subtotal	(20,052)	28,477
Interest and dividends received	202	281
Interest paid	(249)	(336)
Income taxes paid	(4,449)	(6,668)
Net cash provided by (used in) operating activities	(24,549)	21,753
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(10)	(17)
Proceeds from sales and redemption of short-term and long-term investment securities	1	63
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,742)
Purchase of property, plant and equipment	(3,734)	(5,425)
Proceeds from sales of property, plant and equipment	849	318
Collection of loans receivable	2	3
Other, net	(193)	(52)
Net cash provided by (used in) investing activities	(3,085)	(6,853)

	(Million yen)	
	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	28,758	15,142
Net increase (decrease) in commercial papers	20,000	(17,999)
Proceeds from long-term borrowings	3,380	15,162
Repayments of long-term borrowings	(5,225)	(3,146)
Redemption of bonds	-	(10,000)
Dividends paid	(5,413)	(6,840)
Other, net	(20)	(248)
Net cash provided by (used in) financing activities	41,479	(7,929)
Effect of exchange rate change on cash and cash equivalents	(932)	(129)
Net increase (decrease) in cash and cash equivalents	12,912	6,840
Cash and cash equivalents at beginning of period	35,610	43,027
Cash and cash equivalents at end of period	48,522	49,868

(Reference)

Non-Consolidated Orders Received, Net Sales and Backlog

1. Orders Received

(Millions of Yen)

	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	Increase (Decrease)	Rate of change (%)
Public works	55,096	63,133	8,037	14.6
Private works	19,596	18,913	(683)	(3.5)
Domestic civil engineering	74,692	82,046	7,354	9.8
Public works	5,829	23,283	17,453	299.4
Private works	65,526	50,433	(15,092)	(23.0)
Domestic building construction	71,356	73,717	2,360	3.3
Civil engineering	15,760	1,294	(14,466)	(91.8)
Building construction	7,586	24,793	17,207	226.8
Overseas	23,346	26,087	2,741	11.7
Construction Total	169,395	181,852	12,456	7.4
Others	145	155	10	7.0
Total	169,540	182,007	12,466	7.4

2. Net Sales

(Millions of Yen)

	FY3/20 2Q (From Apr. 1, 2019 to Sep. 30, 2019)	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	Increase (Decrease)	Rate of change (%)
Public works	70,092	67,005	(3,086)	(4.4)
Private works	23,510	22,606	(903)	(3.8)
Domestic civil engineering	93,602	89,611	(3,990)	(4.3)
Public works	20,752	8,551	(12,200)	(58.8)
Private works	84,591	60,046	(24,544)	(29.0)
Domestic building construction	105,343	68,598	(36,745)	(34.9)
Civil engineering	64,095	45,571	(18,524)	(28.9)
Building construction	13,717	11,198	(2,519)	(18.4)
Overseas	77,813	56,769	(21,043)	(27.0)
Construction Total	276,759	214,980	(61,779)	(22.3)
Others	145	155	10	7.0
Total	276,904	215,135	(61,769)	(22.3)

3. Backlog

(Millions of Yen)

	FY3/20 2Q (Sep. 30, 2019)	FY3/21 2Q (Sep. 30, 2020)	Increase (Decrease)	Rate of change (%)
Public works	144,529	134,426	(10,102)	(7.0)
Private works	37,609	57,490	19,881	52.9
Domestic civil engineering	182,138	191,917	9,778	5.4
Public works	32,870	46,892	14,022	42.7
Private works	172,645	170,238	(2,406)	(1.4)
Domestic building construction	205,515	217,131	11,615	5.7
Civil engineering	274,833	221,146	(53,686)	(19.5)
Building construction	82,647	87,576	4,928	6.0
Overseas	357,481	308,723	(48,758)	(13.6)
Construction Total	745,135	717,771	(27,363)	(3.7)
Others	—	—	—	—
Total	745,135	717,771	(27,363)	(3.7)