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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2022 [Japanese GAAP]

November 10, 2021

Company name: PENTA-OCEAN CONSTRUCTION CO., LTD.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 1893
 URL: <https://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 10, 2021
 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, 2021 (April 01, 2021 to September 30, 2021)

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

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/22 2Q	210,138	(7.6)	11,820	(21.0)	11,650	(22.7)	8,406	(19.9)
FY3/21 2Q	227,356	(23.0)	14,968	(12.8)	15,081	(13.1)	10,490	(13.1)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 8,733 million [(25.2)%]
 Six months ended September 30, 2020: ¥ 11,671 million [2.7%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
FY3/22 2Q	29.49	-
FY3/21 2Q	36.77	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2021	440,335	159,195	36.1
March 31, 2021	452,248	158,403	35.0

(Reference) Equity: As of September 30, 2021: ¥ 159,077 million
 As of March 31, 2021: ¥ 158,287 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/21	-	-	-	28.00	28.00
FY3/22	-	-	-	-	-
FY3/22 (Forecast)	-	-	-	23.00	23.00

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

(Note) Breakdown of FY3/21 ordinary dividends: JPY 23, commemorative dividends for the 125th founding anniversary: JPY 5

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	491,000	4.2	29,000	(4.8)	28,500	(6.7)	20,000	(4.7)	70.16

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

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

New - (Company name:)

Exclusion: - (Company name:)

(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: Yes

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, 2021: 286,013,910 shares

March 31, 2021: 286,013,910 shares

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

September 30, 2021: 937,273 shares

March 31, 2021: 977,610 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 285,060,679 shares

Six months ended September 30, 2020: 285,279,792 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, 2022 are the same as ones provided in May 11, 2021.

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 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	59,781	56,160
Notes receivable, accounts receivable from completed construction contracts and other	239,949	228,233
Securities	8	27
Costs on construction contracts in progress	12,395	13,205
Real estate for sale and development projects in progress	1,898	1,316
Accounts receivable - other	17,888	16,218
Other	3,524	6,843
Allowance for doubtful accounts	(358)	(304)
Total current assets	335,087	321,700
Non-current assets		
Property, plant and equipment		
Land	33,491	33,491
Other, net	50,915	49,591
Total property, plant and equipment	84,407	83,083
Intangible assets	3,931	3,869
Investments and other assets		
Investment securities	19,485	22,789
Retirement benefit asset	3,190	3,335
Other	9,407	8,789
Allowance for doubtful accounts	(3,261)	(3,232)
Total investments and other assets	28,821	31,682
Total non-current assets	117,160	118,634
Total assets	452,248	440,335

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	117,482	96,036
Short-term borrowings	28,841	36,302
Current portion of bonds payable	10,000	-
Income taxes payable	4,806	3,639
Advances received on construction contracts in progress	24,586	29,863
Provisions	5,348	5,106
Other	53,775	47,835
Total current liabilities	244,839	218,783
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	23,371	26,703
Deferred tax liabilities for land revaluation	3,679	3,679
Provisions	299	309
Retirement benefit liability	1,118	1,151
Other	535	511
Total non-current liabilities	49,004	62,356
Total liabilities	293,844	281,140
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	101,198	101,637
Treasury shares	(590)	(563)
Total shareholders' equity	149,445	149,910
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,583	4,739
Deferred gains or losses on hedges	(175)	(27)
Revaluation reserve for land	3,912	3,912
Foreign currency translation adjustment	(15)	95
Remeasurements of defined benefit plans	536	446
Total accumulated other comprehensive income	8,842	9,166
Non-controlling interests	116	118
Total net assets	158,403	159,195
Total liabilities and net assets	452,248	440,335

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

	(Million yen)	
	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)
Net sales		
Net sales of completed construction contracts	223,603	205,581
Other sales	3,753	4,557
Total net sales	227,356	210,138
Cost of sales		
Cost of sales of completed construction contracts	200,465	184,080
Other cost of sales	2,510	3,465
Total cost of sales	202,975	187,545
Gross profit		
Gross profit on completed construction contracts	23,137	21,501
Gross profit - other	1,242	1,091
Total gross profit	24,380	22,592
Selling, general and administrative expenses	9,412	10,771
Operating profit	14,968	11,820
Non-operating income		
Interest income	38	18
Dividend income	240	192
Other	244	189
Total non-operating income	523	400
Non-operating expenses		
Interest expenses	311	286
Foreign exchange losses	37	132
Other	60	151
Total non-operating expenses	410	571
Ordinary income	15,081	11,650
Extraordinary income		
Gain on sale of non-current assets	68	95
Gain on sale of investment securities	44	484
Other	0	-
Total extraordinary income	113	580
Extraordinary losses		
Loss on sale of non-current assets	23	101
Loss on retirement of non-current assets	5	124
Loss on valuation of investment securities	413	-
Other	11	27
Total extraordinary losses	454	252
Income before income taxes	14,739	11,977
Income taxes - current	2,898	3,137
Income taxes - deferred	1,350	432
Total income taxes	4,249	3,569
Net income	10,490	8,408
Net income attributable to non-controlling interests	0	1
Net income attributable to owners of parent	10,490	8,406

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

	(Million yen)	
	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)
Net income	10,490	8,408
Other comprehensive income		
Valuation difference on available-for-sale securities	1,123	155
Deferred gains or losses on hedges	(20)	147
Foreign currency translation adjustment	37	81
Remeasurements of defined benefit plans, net of tax	40	(89)
Share of other comprehensive income of entities accounted for using equity method	-	30
Total other comprehensive income	1,180	324
Comprehensive income	11,671	8,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,670	8,730
Comprehensive income attributable to non-controlling interests	1	2

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from operating activities		
Income before income taxes	14,739	11,977
Depreciation	3,727	3,099
Amortization of goodwill	-	129
Increase (decrease) in allowance for doubtful accounts	(60)	(82)
Increase (decrease) in provision for bonuses	234	274
Increase (decrease) in provision for loss on construction contracts	(90)	(564)
Increase (decrease) in retirement benefit liability	22	33
Decrease (increase) in retirement benefit asset	(140)	(145)
Interest and dividend income	(279)	(211)
Interest expenses	311	286
Foreign exchange losses (gains)	47	(119)
Share of loss (profit) of entities accounted for using equity method	(5)	(26)
Loss (gain) on sale of property, plant and equipment	(44)	5
Loss (gain) on sale of short-term and long-term investment securities	(44)	(484)
Loss (gain) on valuation of investment securities	413	-
Decrease (increase) in trade receivables	29,477	11,762
Decrease (increase) in costs on construction contracts in progress	(831)	(509)
Decrease (increase) in inventories	(167)	286
Decrease (increase) in accounts receivable - other	3,024	1,654
Increase (decrease) in trade payables	(17,880)	(21,476)
Increase (decrease) in advances received on construction contracts in progress	2,807	2,177
Other, net	(6,786)	(5,707)
Subtotal	28,477	2,360
Interest and dividends received	281	211
Interest paid	(336)	(322)
Income taxes paid	(6,668)	(4,374)
Net cash provided by (used in) operating activities	21,753	(2,125)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(17)	(10)
Proceeds from sale and redemption of short-term and long-term investment securities	63	692
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,742)	-
Purchase of stocks of equity method affiliate	-	(3,251)
Purchase of property, plant and equipment	(5,425)	(1,941)
Proceeds from sale of property, plant and equipment	318	356
Proceeds from collection of loans receivable	3	3
Other, net	(52)	(137)
Net cash provided by (used in) investing activities	(6,853)	(4,288)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	15,142	6,874
Net increase (decrease) in commercial papers	(17,999)	-
Proceeds from long-term borrowings	15,162	7,810
Repayments of long-term borrowings	(3,146)	(3,928)
Proceeds from issuance of bonds	-	9,945
Redemption of bonds	(10,000)	(10,000)
Dividends paid	(6,840)	(7,989)
Other, net	(248)	(63)
Net cash provided by (used in) financing activities	(7,929)	2,648
Effect of exchange rate change on cash and cash equivalents	(129)	209
Net increase (decrease) in cash and cash equivalents	6,840	(3,555)
Cash and cash equivalents at beginning of period	43,027	59,197
Cash and cash equivalents at end of period	49,868	55,642

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

1. Orders Received

(Millions of Yen)

	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	Increase (Decrease)	Rate of change (%)
Public works	63,133	43,272	(19,860)	(31.5)
Private works	18,913	36,221	17,308	91.5
Domestic civil engineering	82,046	79,494	(2,552)	(3.1)
Public works	23,283	6,889	(16,393)	(70.4)
Private works	50,433	68,500	18,066	35.8
Domestic building construction	73,717	75,389	1,672	2.3
Civil engineering	1,294	5,560	4,266	329.7
Building construction	24,793	4,617	(20,175)	(81.4)
Overseas	26,087	10,177	(15,909)	(61.0)
Construction Total	181,852	165,061	(16,790)	(9.2)
Others	155	982	827	532.8
Total	182,007	166,044	(15,962)	(8.8)

2. Net Sales

(Millions of Yen)

	FY3/21 2Q (From Apr. 1, 2020 to Sep. 30, 2020)	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	Increase (Decrease)	Rate of change (%)
Public works	67,005	57,681	(9,323)	(13.9)
Private works	22,606	18,530	(4,076)	(18.0)
Domestic civil engineering	89,611	76,211	(13,400)	(15.0)
Public works	8,551	9,526	974	11.4
Private works	60,046	55,663	(4,383)	(7.3)
Domestic building construction	68,598	65,189	(3,408)	(5.0)
Civil engineering	45,571	35,467	(10,103)	(22.2)
Building construction	11,198	18,496	7,298	65.2
Overseas	56,769	53,964	(2,805)	(4.9)
Construction Total	214,980	195,366	(19,613)	(9.1)
Others	155	982	827	532.8
Total	215,135	196,348	(18,786)	(8.7)

3. Backlog

(Millions of Yen)

	FY3/21 2Q (Sep. 30, 2020)	FY3/22 2Q (Sep. 30, 2021)	Increase (Decrease)	Rate of change (%)
Public works	134,426	112,056	(22,369)	(16.6)
Private works	57,490	90,874	33,383	58.1
Domestic civil engineering	191,917	202,931	11,014	5.7
Public works	46,892	47,742	849	1.8
Private works	170,238	210,584	40,345	23.7
Domestic building construction	217,131	258,326	41,195	19.0
Civil engineering	221,146	162,776	(58,370)	(26.4)
Building construction	87,576	170,623	83,047	94.8
Overseas	308,723	333,400	24,677	8.0
Construction Total	717,771	794,659	76,887	10.7
Others	—	—	—	—
Total	717,771	794,659	76,887	10.7