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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2023 [Japanese GAAP]

November 10, 2022

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: Tsutomu Sasaki General Manager, Head of Accounting Division

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Scheduled date of filing quarterly securities report: November 10, 2022

Scheduled date of commencing dividend payments: —

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, 2022 (April 01, 2022 to September 30, 2022)

(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	%
FY3/23 2Q	227,669	8.3	6,672	(43.6)	7,015	(39.8)	4,820	(42.7)
FY3/22 2Q	210,138	(7.6)	11,820	(21.0)	11,650	(22.7)	8,406	(19.9)

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 6,140 million [(29.7) %]
Six months ended September 30, 2021: ¥ 8,733 million [(25.2) %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
FY3/23 2Q	16.91	-
FY3/22 2Q	29.49	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2022	474,236	159,307	33.6
March 31, 2022	467,364	159,786	34.1

(Reference) Equity: As of September 30, 2022: ¥ 159,157 million
As of March 31, 2022: ¥ 159,599 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/22	-	-	-	23.00	23.00
FY3/23	-	-	-	-	-
FY3/23 (Forecast)	-	-	-	24.00	24.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% 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	485,000	5.8	22,500	41.2	21,500	37.3	14,500	34.8	50.85

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(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, 2022: 286,013,910 shares

March 31, 2022: 286,013,910 shares

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

September 30, 2022: 855,940 shares

March 31, 2022: 937,517 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 285,134,700 shares

Six months ended September 30, 2021: 285,060,679 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, 2023 are revised from ones provided on May 13, 2022.

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

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and deposits	44,838	48,804
Notes receivable, accounts receivable from completed construction contracts and other	263,965	253,950
Securities	18	5
Costs on construction contracts in progress	14,896	18,880
Real estate for sale and development projects in progress	1,227	1,337
Accounts receivable - other	11,575	15,648
Other	8,201	8,165
Allowance for doubtful accounts	(345)	(335)
Total current assets	344,377	346,457
Non-current assets		
Property, plant and equipment		
Land	33,501	33,501
Other, net	54,006	58,467
Total property, plant and equipment	87,507	91,968
Intangible assets	3,761	3,841
Investments and other assets		
Investment securities	21,056	21,135
Retirement benefit asset	3,476	3,606
Other	10,682	11,113
Allowance for doubtful accounts	(3,498)	(3,885)
Total investments and other assets	31,717	31,969
Total non-current assets	122,986	127,779
Total assets	467,364	474,236

(Million yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	117,852	110,131
Short-term borrowings	29,109	45,556
Commercial papers	10,000	9,999
Income taxes payable	2,838	2,815
Advances received on construction contracts in progress	30,900	30,438
Provisions	7,782	8,037
Other	49,281	46,542
Total current liabilities	247,764	253,522
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	23,447	25,065
Deferred tax liabilities for land revaluation	3,679	3,679
Provisions	348	318
Retirement benefit liability	1,847	1,859
Other	490	485
Total non-current liabilities	59,813	61,407
Total liabilities	307,577	314,929
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	103,984	102,132
Treasury shares	(564)	(511)
Total shareholders' equity	152,257	150,457
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,227	3,001
Deferred gains or losses on hedges	(162)	293
Revaluation reserve for land	3,912	3,912
Foreign currency translation adjustment	513	1,746
Remeasurements of defined benefit plans	(148)	(253)
Total accumulated other comprehensive income	7,342	8,699
Non-controlling interests	186	149
Total net assets	159,786	159,307
Total liabilities and net assets	467,364	474,236

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

	(Million yen)	
	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)
Net sales		
Net sales of completed construction contracts	205,581	222,886
Other sales	4,557	4,782
Total net sales	210,138	227,669
Cost of sales		
Cost of sales of completed construction contracts	184,080	206,018
Other cost of sales	3,465	3,819
Total cost of sales	187,545	209,838
Gross profit		
Gross profit on completed construction contracts	21,501	16,868
Gross profit - other	1,091	962
Total gross profit	22,592	17,831
Selling, general and administrative expenses	10,771	11,159
Operating profit	11,820	6,672
Non-operating income		
Interest income	18	81
Dividend income	192	238
Foreign exchange gains	-	669
Other	189	139
Total non-operating income	400	1,128
Non-operating expenses		
Interest expenses	286	342
Foreign exchange losses	132	-
Provision of allowance for doubtful accounts	-	393
Other	151	49
Total non-operating expenses	571	785
Ordinary income	11,650	7,015
Extraordinary income		
Gain on sale of non-current assets	95	23
Gain on sale of investment securities	484	-
Total extraordinary income	580	23
Extraordinary losses		
Loss on retirement of non-current assets	124	99
Other	128	2
Total extraordinary losses	252	102
Income before income taxes	11,977	6,936
Income taxes - current	3,137	2,155
Income taxes - deferred	432	(1)
Total income taxes	3,569	2,153
Net income	8,408	4,782
Net income (loss) attributable to non-controlling interests	1	(37)
Net income attributable to owners of parent	8,406	4,820

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

	(Million yen)	
	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)
Net income	8,408	4,782
Other comprehensive income		
Valuation difference on available-for-sale securities	155	(226)
Deferred gains or losses on hedges	147	455
Foreign currency translation adjustment	81	824
Remeasurements of defined benefit plans, net of tax	(89)	(104)
Share of other comprehensive income of entities accounted for using equity method	30	409
Total other comprehensive income	324	1,358
Comprehensive income	8,733	6,140
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,730	6,177
Comprehensive income attributable to non-controlling interests	2	(37)

Quarterly Consolidated Statements of Cash Flows

	(Million yen)	
	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)
Cash flows from operating activities		
Income before income taxes	11,977	6,936
Depreciation	3,099	3,368
Amortization of goodwill	129	142
Increase (decrease) in allowance for doubtful accounts	(82)	376
Increase (decrease) in provision for bonuses	274	259
Increase (decrease) in provision for loss on construction contracts	(564)	(33)
Increase (decrease) in retirement benefit liability	33	11
Decrease (increase) in retirement benefit asset	(145)	(129)
Interest and dividend income	(211)	(320)
Interest expenses	286	342
Foreign exchange losses (gains)	(119)	(3,859)
Share of loss (profit) of entities accounted for using equity method	(26)	(24)
Loss (gain) on sale of property, plant and equipment	5	(21)
Loss (gain) on sale of short-term and long-term investment securities	(484)	-
Decrease (increase) in trade receivables	11,762	10,295
Decrease (increase) in costs on construction contracts in progress	(509)	(3,288)
Decrease (increase) in inventories	286	(488)
Decrease (increase) in accounts receivable - other	1,654	(4,039)
Increase (decrease) in trade payables	(21,476)	(8,055)
Increase (decrease) in advances received on construction contracts in progress	2,177	(581)
Other, net	(5,707)	(2,546)
Subtotal	2,360	(1,655)
Interest and dividends received	211	309
Interest paid	(322)	(367)
Income taxes paid	(4,374)	(2,172)
Net cash provided by (used in) operating activities	(2,125)	(3,885)
Cash flows from investing activities		
Payments into time deposits	(34)	(2,722)
Proceeds from withdrawal of time deposits	99	1,120
Purchase of short-term and long-term investment securities	(10)	(18)
Proceeds from sale and redemption of short-term and long-term investment securities	692	18
Purchase of stocks of equity method affiliate	(3,251)	-
Purchase of property, plant and equipment	(1,941)	(6,392)
Proceeds from sale of property, plant and equipment	356	75
Proceeds from collection of loans receivable	3	3
Other, net	(203)	(98)
Net cash provided by (used in) investing activities	(4,288)	(8,015)

	(Million yen)	
	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,874	15,214
Proceeds from long-term borrowings	7,810	6,722
Repayments of long-term borrowings	(3,928)	(5,096)
Proceeds from issuance of bonds	9,945	-
Redemption of bonds	(10,000)	-
Dividends paid	(7,989)	(6,553)
Other, net	(63)	19
Net cash provided by (used in) financing activities	2,648	10,307
Effect of exchange rate change on cash and cash equivalents	209	3,958
Net increase (decrease) in cash and cash equivalents	(3,555)	2,363
Cash and cash equivalents at beginning of period	59,197	43,567
Cash and cash equivalents at end of period	55,642	45,931

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

1. Orders Received

(Millions of Yen)

	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	Increase (Decrease)	Rate of change (%)
Public works	43,272	113,538	70,265	162.4
Private works	36,221	15,081	(21,140)	(58.4)
Domestic civil engineering	79,494	128,620	49,125	61.8
Public works	6,889	16,937	10,048	145.8
Private works	68,500	104,547	36,047	52.6
Domestic building construction	75,389	121,485	46,095	61.1
Civil engineering	5,560	67	(5,492)	(98.8)
Building construction	4,617	87,066	82,448	1785.4
Overseas	10,177	87,133	76,955	756.1
Construction Total	165,061	337,238	172,176	104.3
Others	982	149	(832)	(84.8)
Total	166,044	337,388	171,344	103.2

2. Net Sales

(Millions of Yen)

	FY3/22 2Q (From Apr. 1, 2021 to Sep. 30, 2021)	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	Increase (Decrease)	Rate of change (%)
Public works	57,681	56,537	(1,143)	(2.0)
Private works	18,530	23,224	4,693	25.3
Domestic civil engineering	76,211	79,761	3,549	4.7
Public works	9,526	10,276	750	7.9
Private works	55,663	61,232	5,569	10.0
Domestic building construction	65,189	71,509	6,319	9.7
Civil engineering	35,467	38,313	2,845	8.0
Building construction	18,496	22,132	3,635	19.7
Overseas	53,964	60,446	6,481	12.0
Construction Total	195,366	211,717	16,351	8.4
Others	982	149	(832)	(84.8)
Total	196,348	211,867	15,518	7.9

3. Backlog

(Millions of Yen)

	FY3/22 2Q (Sep. 30, 2021)	FY3/23 2Q (Sep. 30, 2022)	Increase (Decrease)	Rate of change (%)
Public works	112,056	167,387	55,331	49.4
Private works	90,874	86,050	(4,824)	(5.3)
Domestic civil engineering	202,931	253,438	50,506	24.9
Public works	47,742	48,282	540	1.1
Private works	210,584	258,182	47,598	22.6
Domestic building construction	258,326	306,464	48,138	18.6
Civil engineering	162,776	165,384	2,607	1.6
Building construction	170,623	237,968	67,344	39.5
Overseas	333,400	403,353	69,952	21.0
Construction Total	794,659	963,256	168,597	21.2
Others	-	-	-	-
Total	794,659	963,256	168,597	21.2