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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2024 [Japanese GAAP]

November 9, 2023

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

Phone: (03)3817-7619

Scheduled date of filing quarterly securities report: November 9, 2023

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, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/24 2Q	278,561	22.4	13,339	99.9	12,962	84.8	8,806	82.7
FY3/23 2Q	227,669	8.3	6,672	(43.6)	7,015	(39.8)	4,820	(42.7)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 10,397 million [69.3%]
Six months ended September 30, 2022: ¥ 6,140 million [(29.7)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
FY3/24 2Q	30.89	-
FY3/23 2Q	16.91	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	559,349	160,230	28.6
March 31, 2023	508,179	156,953	30.9

(Reference) Equity: As of September 30, 2023: ¥ 160,232 million
As of March 31, 2023: ¥ 156,845 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/23	-	-	-	24.00	24.00
FY3/24	-	-	-	-	-
FY3/24 (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, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	610,000	21.5	34,000	725.4	32,000	-	22,000	-	77.20

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(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, 2023: 286,013,910 shares

March 31, 2023: 286,013,910 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 1,156,893 shares

March 31, 2023: 856,034 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 285,099,433 shares

Six months ended September 30, 2022: 285,134,700 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, 2024 are the same as ones provided on May 12, 2023.

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

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	50,489	47,234
Notes receivable, accounts receivable from completed construction contracts and other	269,912	302,181
Securities	11	11
Costs on construction contracts in progress	15,396	21,336
Real estate for sale and development projects in progress	1,191	1,272
Accounts receivable - other	22,114	37,685
Other	18,566	14,468
Allowance for doubtful accounts	(307)	(409)
Total current assets	377,377	423,780
Non-current assets		
Property, plant and equipment		
Land	33,392	33,392
Other, net	58,371	61,509
Total property, plant and equipment	91,763	94,901
Intangible assets	3,660	3,589
Investments and other assets		
Investment securities	22,459	24,379
Retirement benefit asset	4,155	4,283
Other	12,625	12,602
Allowance for doubtful accounts	(3,862)	(4,188)
Total investments and other assets	35,378	37,077
Total non-current assets	130,802	135,569
Total assets	508,179	559,349

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable for construction contracts and other	124,327	129,011
Short-term borrowings	32,429	68,130
Commercial papers	9,999	19,999
Current portion of bonds payable	10,000	10,000
Income taxes payable	1,551	4,554
Advances received on construction contracts in progress	50,747	34,712
Provision for loss on construction contracts	11,103	9,127
Other provisions	3,983	4,240
Other	59,800	64,213
Total current liabilities	303,943	343,990
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	21,265	29,081
Deferred tax liabilities for land revaluation	3,679	3,679
Provisions	345	370
Retirement benefit liability	1,511	1,547
Other	480	450
Total non-current liabilities	47,282	55,129
Total liabilities	351,226	399,119
Net assets		
Shareholders' equity		
Share capital	30,449	30,449
Capital surplus	18,386	18,386
Retained earnings	97,931	99,879
Treasury shares	(511)	(773)
Total shareholders' equity	146,257	147,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,816	5,173
Deferred gains or losses on hedges	842	149
Revaluation reserve for land	3,977	3,977
Foreign currency translation adjustment	1,700	2,823
Remeasurements of defined benefit plans	251	165
Total accumulated other comprehensive income	10,588	12,289
Non-controlling interests	107	(2)
Total net assets	156,953	160,230
Total liabilities and net assets	508,179	559,349

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

	(Millions of yen)	
	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)
Net sales		
Net sales of completed construction contracts	222,886	270,965
Other sales	4,782	7,596
Total net sales	227,669	278,561
Cost of sales		
Cost of sales of completed construction contracts	206,018	246,973
Other cost of sales	3,819	6,437
Total cost of sales	209,838	253,411
Gross profit		
Gross profit on completed construction contracts	16,868	23,991
Gross profit - other	962	1,158
Total gross profit	17,831	25,150
Selling, general and administrative expenses	11,159	11,810
Operating profit	6,672	13,339
Non-operating income		
Interest income	81	278
Dividend income	238	187
Foreign exchange gains	669	552
Other	139	101
Total non-operating income	1,128	1,118
Non-operating expenses		
Interest expenses	342	753
Provision of allowance for doubtful accounts	393	387
Other	49	354
Total non-operating expenses	785	1,496
Ordinary income	7,015	12,962
Extraordinary income		
Gain on sale of non-current assets	23	41
Gain on sale of investment securities	-	5
Total extraordinary income	23	46
Extraordinary losses		
Loss on retirement of non-current assets	99	61
Other	2	0
Total extraordinary losses	102	61
Income before income taxes	6,936	12,947
Income taxes - current	2,155	3,974
Income taxes - deferred	(1)	276
Total income taxes	2,153	4,250
Net income	4,782	8,696
Net loss attributable to non-controlling interests	(37)	(110)
Net income attributable to owners of parent	4,820	8,806

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

	(Millions of yen)	
	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)
Net income	4,782	8,696
Other comprehensive income		
Valuation difference on available-for-sale securities	(226)	1,356
Deferred gains or losses on hedges	455	(692)
Foreign currency translation adjustment	824	832
Remeasurements of defined benefit plans, net of tax	(104)	(86)
Share of other comprehensive income of entities accounted for using equity method	409	291
Total other comprehensive income	1,358	1,701
Comprehensive income	6,140	10,397
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,177	10,507
Comprehensive income attributable to non-controlling interests	(37)	(110)

Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)
Cash flows from operating activities		
Income before income taxes	6,936	12,947
Depreciation	3,368	3,428
Amortization of goodwill	142	161
Increase (decrease) in allowance for doubtful accounts	376	428
Increase (decrease) in provision for bonuses	259	370
Increase (decrease) in provision for loss on construction contracts	(33)	(1,996)
Increase (decrease) in retirement benefit liability	11	36
Decrease (increase) in retirement benefit asset	(129)	(128)
Interest and dividend income	(320)	(465)
Interest expenses	342	753
Foreign exchange losses (gains)	(3,859)	(1,184)
Loss (gain) on sale of property, plant and equipment	(21)	(40)
Loss (gain) on sale of short-term and long-term investment securities	-	(5)
Decrease (increase) in trade receivables	10,295	(31,982)
Decrease (increase) in costs on construction contracts in progress	(3,288)	(5,456)
Decrease (increase) in inventories	(488)	(270)
Decrease (increase) in accounts receivable - other	(4,039)	(15,532)
Increase (decrease) in trade payables	(8,055)	4,431
Increase (decrease) in advances received on construction contracts in progress	(581)	(16,098)
Other, net	(2,570)	7,066
Subtotal	(1,655)	(43,537)
Interest and dividends received	309	485
Interest paid	(367)	(753)
Income taxes paid	(2,172)	(929)
Net cash provided by (used in) operating activities	(3,885)	(44,734)
Cash flows from investing activities		
Payments into time deposits	(2,722)	(1,544)
Proceeds from withdrawal of time deposits	1,120	2,958
Purchase of short-term and long-term investment securities	(18)	(16)
Proceeds from sale and redemption of short-term and long-term investment securities	18	17
Purchase of property, plant and equipment	(6,392)	(5,344)
Proceeds from sale of property, plant and equipment	75	45
Proceeds from collection of loans receivable	3	3
Other, net	(98)	(103)
Net cash provided by (used in) investing activities	(8,015)	(3,983)

	(Millions of yen)	
	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	15,214	33,221
Net increase (decrease) in commercial papers	(0)	9,999
Proceeds from long-term borrowings	6,722	13,014
Repayments of long-term borrowings	(5,096)	(4,791)
Dividends paid	(6,553)	(6,839)
Other, net	20	(310)
Net cash provided by (used in) financing activities	10,307	44,294
Effect of exchange rate change on cash and cash equivalents	3,958	2,479
Net increase (decrease) in cash and cash equivalents	2,363	(1,944)
Cash and cash equivalents at beginning of period	43,567	47,380
Cash and cash equivalents at end of period	45,931	45,435

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

1. Orders Received

(Millions of Yen)

	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)	Increase (Decrease)	Rate of change (%)
Public works	113,538	85,559	(27,979)	(24.6)
Private works	15,081	41,607	26,525	175.9
Domestic civil engineering	128,620	127,166	(1,453)	(1.1)
Public works	16,937	63,679	46,741	276.0
Private works	104,547	67,153	(37,394)	(35.8)
Domestic building construction	121,485	130,832	9,347	7.7
Civil engineering	67	6,570	6,502	9,651.1
Building construction	87,066	11,620	(75,445)	(86.7)
Overseas	87,133	18,190	(68,942)	(79.1)
Construction Total	337,238	276,190	(61,048)	(18.1)
Others	149	154	4	3.1
Total	337,388	276,344	(61,043)	(18.1)

2. Net Sales

(Millions of Yen)

	FY3/23 2Q (From Apr. 1, 2022 to Sep. 30, 2022)	FY3/24 2Q (From Apr. 1, 2023 to Sep. 30, 2023)	Increase (Decrease)	Rate of change (%)
Public works	56,537	87,503	30,965	54.8
Private works	23,224	29,487	6,263	27.0
Domestic civil engineering	79,761	116,991	37,229	46.7
Public works	10,276	10,466	189	1.8
Private works	61,232	70,731	9,499	15.5
Domestic building construction	71,509	81,198	9,689	13.5
Civil engineering	38,313	33,245	(5,068)	(13.2)
Building construction	22,132	21,600	(532)	(2.4)
Overseas	60,446	54,845	(5,600)	(9.3)
Construction Total	211,717	253,035	41,317	19.5
Others	149	154	4	3.1
Total	211,867	253,189	41,322	19.5

3. Backlog

(Millions of Yen)

	FY3/23 2Q (Sep. 30, 2022)	FY3/24 2Q (Sep. 30, 2023)	Increase (Decrease)	Rate of change (%)
Public works	167,387	197,220	29,832	17.8
Private works	86,050	143,065	57,015	66.3
Domestic civil engineering	253,438	340,286	86,848	34.3
Public works	48,282	130,470	82,187	170.2
Private works	258,182	237,238	(20,943)	(8.1)
Domestic building construction	306,464	367,708	61,244	20.0
Civil engineering	165,384	143,416	(21,968)	(13.3)
Building construction	237,968	237,535	(432)	(0.2)
Overseas	403,353	380,952	(22,400)	(5.6)
Construction Total	963,256	1,088,947	125,691	13.0
Others	—	—	—	—
Total	963,256	1,088,947	125,691	13.0