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ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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July 31, 2020

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>

Company name: **MEISEI INDUSTRIAL CO., LTD.**
Listing: First Section of Tokyo Securities Exchange
Securities code: 1976
URL: <https://www.meisei-kogyo.co.jp/en/>
Representative: Toshiteru Otani, Representative Director, Chairman and Chief Executive Officer (CEO)
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Scheduled date to file quarterly securities report: August 11, 2020
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: None

(Note: Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Three months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	10,110	(3.6)	699	(24.1)	777	(23.2)	495	(27.7)
June 30, 2019	10,490	(10.4)	922	(24.0)	1,011	(25.2)	685	(24.0)

Note: Comprehensive income
Three months ended June 30, 2020: ¥508 million [(27.2) %]
Three months ended June 30, 2019: ¥699 million [(18.9) %]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2020	9.67	—
June 30, 2019	13.13	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2020	64,995	50,264	76.8	973.63
March 31, 2020	66,324	50,783	76.0	983.89

Reference: Shareholders' equity
As of June 30, 2020: ¥49,913 million
As of March 31, 2020: ¥50,439 million

2. Cash Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
Fiscal year ended March 31, 2020	Yen –	Yen 10.00	Yen –	Yen 20.00	Yen 30.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Forecast)		10.00	–	12.00	22.00

Note: Revisions to the cash dividend forecasts most recently announced: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	26,000	8.2	2,800	3.9	2,900	1.1	2,000	2.9	39.01
Fiscal year ending March 31, 2021	55,000	3.6	5,600	(13.1)	5,750	(17.8)	3,950	(16.1)	77.05

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatements of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at end of period (including treasury shares)

As of June 30, 2020	59,386,718 shares
As of March 31, 2020	59,386,718 shares

b. Number of treasury shares at end of period

As of June 30, 2020	8,121,256 shares
As of March 31, 2020	8,121,256 shares

c. Average number of outstanding shares during period

Three months ended June 30, 2020	51,265,462 shares
Three months ended June 30, 2019	52,227,633 shares

Note: The figures stated for the number of treasury shares at end of period include shares of the Company that are held by a trust established to distribute shares to officers (Officers' Share Distribution Trust). The calculation used to calculate the average number of outstanding shares during period excludes treasury shares, which include shares of the Company held by the Officers' Share Distribution Trust.

* The quarterly financial results are not subject to quarterly review.

* Proper use of earnings forecasts and other special notes

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport to be a promise by the Company to realize such statements. Actual business and other results may differ substantially due to various factors.

Please refer to the section of “1. Qualitative Information Regarding Results for the First Three Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials for the matters regarding earnings forecasts.

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1. Qualitative Information Regarding Results for the First Three Months

(1) Explanation of operating results

During the three months ended June 30, 2020, the outlook for the Japanese economy continued to be uncertain, as the government declared a state of emergency throughout the country as a countermeasure against the spread of novel coronavirus disease (COVID-19), significantly restricting movement of people and goods, and drastically affecting business activities in Japan and abroad. Although after the lifting of the declaration of emergency and the gradual resumption of economic activity there are signs of improvement, we still cannot foresee when the spread of the disease will stop, and there is concern that the instability of the global economy will be further aggravated by international problems such as the trade friction between the United States and China, which had been continuing since before the corona crisis.

Under these economic conditions, the Meisei Group recorded total construction orders received for the three months ended June 30, 2020 of ¥10,919 million (a year-on-year decrease of 3.4%), reflecting factors such as a slight decline in orders in Japan and overseas. The Group recorded net sales of ¥10,110 million (a year-on-year decrease of 3.6%), reflecting a decrease in the amount of orders received, despite steady progress in construction projects carried over from the previous fiscal year in the Boiler Business and environment-related construction work in the Construction Business.

Additionally, in terms of profit, reflecting factors such as the decrease in net sales and cost increases due to labor shortages, operating profit totaled ¥699 million (a year-on-year decrease of 24.1%), ordinary profit amounted to ¥777 million (a year-on-year decrease of 23.2%) and profit attributable to owners of parent totaled ¥495 million (a year-on-year decrease of 27.7%).

Results by segment are as follows.

(i) Construction Business

Net sales in the Construction Business totaled ¥8,458 million (a year-on-year decrease of 9.8%), reflecting the decline in construction projects in Japan and overseas, despite solid progress in environment-related construction work in Japan. In line with the decrease in net sales and factors such as the increased cost burden due to labor shortages, segment profit amounted to ¥644 million (a year-on-year decrease of 29.6%).

(ii) Boiler Business

Net sales in the Boiler Business totaled ¥1,652 million (a year-on-year increase of 48.4%), reflecting smooth progress in the delivery of construction projects carried over from the previous fiscal year. In line with the increase in net sales, segment profit amounted to ¥53 million (compared to segment profit of ¥4 million in the same period of the previous fiscal year).

(2) Explanation of financial position

Assets

Total current assets as of June 30, 2020 amounted to ¥43,943 million, a decrease of ¥1,274 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in costs on construction contracts in progress of ¥1,767 million, an increase in cash and deposits of ¥485 million, and a decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥3,763 million. Total non-current assets amounted to ¥21,052 million, a decrease of ¥54 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in investment securities of ¥120 million, a decrease in property, plant and equipment of ¥30 million, and a decrease in investment property of ¥11 million.

As a result, total assets amounted to ¥64,995 million, a decrease of ¥1,328 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of June 30, 2020 amounted to ¥10,952 million, a decrease of ¥794 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in advances received on construction contracts in progress of ¥556 million, an increase in provision for bonuses of ¥288 million, a decrease in notes payable, accounts payable for construction contracts and other of ¥934 million, and a decrease in income taxes payable of ¥748 million. Total non-current liabilities amounted to ¥3,779 million, a decrease of ¥14 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in provision for share-based remuneration for directors (and other officers) of ¥7 million, and a decrease in Retirement benefit liability of ¥26 million.

As a result, total liabilities amounted to ¥14,731 million, a decrease of ¥809 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of June 30, 2020 amounted to ¥50,264 million, a decrease of ¥519 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in profit attributable to owners of parent of ¥495 million, and a decrease of ¥1,028 million due to dividends of surplus.

As a result, the equity-to-asset ratio was 76.8% (76.0% at the end of the previous fiscal year).

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

As it cannot be foreseen when the spread of COVID-19 will stop impacting economic activities, it is expected that the situation will continue to remain unclear. Also, in the Company's business environment, it is now necessary to actively monitor the possible impact of the spread of COVID-19, such as changes in labor conditions, difficulties in purchasing, and the suspension and postponement of business activities, but at present, the consolidated earnings forecasts are unchanged from the forecasts for the six months ending September 30, 2020 and the fiscal year ending March 31, 2021 announced in the financial results report released on May 8, 2020.

Additionally, these earnings forecasts are determined based on information currently available to the Company, and actual business and other results may differ due to various factors in the future. If revisions to the forecasts become necessary, the Company will announce them promptly.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	19,391	19,876
Notes receivable, accounts receivable from completed construction contracts and other	22,940	19,176
Securities	300	401
Costs on construction contracts in progress	1,602	3,370
Merchandise and finished goods	230	253
Raw materials and supplies	444	414
Other	359	483
Allowance for doubtful accounts	△50	△33
Total current assets	45,218	43,943
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,967	9,976
Machinery and vehicles	4,780	4,769
Land	11,160	11,160
Other	1,384	1,446
Accumulated depreciation	△11,959	△12,050
Total property, plant and equipment	15,333	15,302
Intangible assets	67	64
Investments and other assets		
Investment securities	2,849	2,969
Investment property	2,099	2,087
Retirement benefit asset	24	27
Deferred tax assets	239	230
Other	530	454
Allowance for doubtful accounts	△37	△85
Total investments and other assets	5,705	5,684
Total non-current assets	21,106	21,052
Total assets	66,324	64,995

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	7,469	6,535
Accounts payable - trade	554	484
Short-term borrowings	710	710
Income taxes payable	1,059	310
Advances received on construction contracts in progress	125	682
Provision for bonuses	434	722
Provision for bonuses for directors (and other officers)	83	—
Provision for warranties for completed construction	29	53
Provision for loss on construction contracts	6	3
Other	1,273	1,450
Total current liabilities	11,747	10,952
Non-current liabilities		
Long-term borrowings	250	250
Retirement benefit liability	631	604
Provision for retirement benefits for directors (and other officers)	145	150
Provision for share-based remuneration for directors (and other officers)	46	53
Deferred tax liabilities	1,808	1,807
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	411	413
Total non-current liabilities	3,793	3,779
Total liabilities	15,540	14,731
Net assets		
Shareholders' equity		
Share capital	6,889	6,889
Capital surplus	1,179	1,179
Retained earnings	44,058	43,525
Treasury shares	△3,350	△3,350
Total shareholders' equity	48,776	48,243
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	440	550
Revaluation reserve for land	958	958
Foreign currency translation adjustment	352	245
Remeasurements of defined benefit plans	△88	△84
Total accumulated other comprehensive income	1,662	1,669
Non-controlling interests	344	350
Total net assets	50,783	50,264
Total liabilities and net assets	66,324	64,995

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales of completed construction contracts	10,490	10,110
Cost of sales of completed construction contracts	8,425	8,246
Gross profit on completed construction contracts	2,064	1,863
Selling, general and administrative expenses	1,142	1,164
Operating profit	922	699
Non-operating income		
Interest income	12	9
Dividend income	72	70
Rental income from real estate	58	63
Other	11	5
Total non-operating income	155	148
Non-operating expenses		
Interest expenses	1	1
Rental costs on real estate	36	34
Foreign exchange losses	25	32
Other	2	2
Total non-operating expenses	65	71
Ordinary profit	1,011	777
Profit before income taxes	1,011	777
Income taxes - current	309	317
Income taxes - deferred	10	△41
Total income taxes	319	275
Profit	692	501
Profit attributable to non-controlling interests	6	6
Profit attributable to owners of parent	685	495

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	692	501
Other comprehensive income		
Valuation difference on available-for-sale securities	△34	110
Foreign currency translation adjustment	40	△107
Remeasurements of defined benefit plans, net of tax	1	3
Total other comprehensive income	7	6
Comprehensive income	699	508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	692	502
Comprehensive income attributable to non-controlling interests	6	6

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Additional information

(Accounting Estimates)

The spread of COVID-19 is a phenomenon that has a wide impact on economic activity and has had a ripple effect on demand for production at manufacturing companies, the Group's main customers. However, at this point in time, it is difficult to reasonably forecast the impact of these factors on the Group and when the pandemic will cease. Therefore, based on external information available as of June 30, 2020 and at this point in time, and based on the assumption that the impact of the disease will continue for a certain period of time during the fiscal year ending March 31, 2021 and that they will recover to some extent in the second half of the said fiscal year, the Company has made accounting estimates such as the recording of net sales of completed construction contracts and cost of sales of completed construction contracts, the recognition of impairment loss of non-current assets, and the recoverability of deferred tax assets.

Segment information, etc.**<Segment Information>****I. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)**

Information on sales and income on each reportable segment

(Millions of yen)

	Construction	Boiler	Total	Adjustment (Note 1)	Amounts on the consolidated statement of income (Note 2)
Net sales:					
(1) Sales to third parties	9,377	1,113	10,490	—	10,490
(2) Intersegment sales or transfers	27	48	76	(76)	—
Total	9,404	1,162	10,566	(76)	10,490
Segment profit	915	4	919	2	922

Notes:

1. Adjustment for segment profit represents eliminations of intersegment sales or transfers.
2. Segment profit is adjusted to be consistent with operating profit in the consolidated statements of income.

II. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

Information on sales and income on each reportable segment

(Millions of yen)

	Construction	Boiler	Total	Adjustment (Note 1)	Amounts on the consolidated statement of income (Note 2)
Net sales:					
(1) Sales to third parties	8,458	1,652	10,110	—	10,110
(2) Intersegment sales or transfers	71	47	118	(118)	—
Total	8,529	1,699	10,229	(118)	10,110
Segment profit	644	53	697	2	699

Notes:

1. Adjustment for segment profit represents eliminations of intersegment sales or transfers.
2. Segment profit is adjusted to be consistent with operating profit in the consolidated statements of income.

3. Supplementary Information

(1) Status of orders received, sales and balance of orders

a. Orders received

Segment	Three months ended June 30, 2019		Three months ended June 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	9,919	87.7	10,191	93.3	271	43,528	91.6
Boiler	1,387	12.3	728	6.7	(658)	3,971	8.4
Total	11,306	100.0	10,919	100.0	(386)	47,499	100.0

b. Net sales

Segment	Three months ended June 30, 2019		Three months ended June 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	9,377	89.4	8,458	83.7	(918)	45,475	85.7
Boiler	1,113	10.6	1,652	16.3	538	7,597	14.3
Total	10,490	100.0	10,110	100.0	(380)	53,073	100.0

c. Balance of orders

Segment	Three months ended June 30, 2019		Three months ended June 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	15,838	68.3	15,081	85.7	(756)	13,348	79.5
Boiler	7,335	31.7	2,511	14.3	(4,824)	3,435	20.5
Total	23,173	100.0	17,592	100.0	(5,581)	16,783	100.0