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ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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October 30, 2020

Consolidated Financial Results for the First Six 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)
Inquiries: Susumu Yamamoto, General Manager of Finance Division
TEL: +81-6-6447-0275

Scheduled date to file quarterly securities report: November 12, 2020
Scheduled date to commence dividend payments: November 19, 2020
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 Six Months of the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Six 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	%
September 30, 2020	23,441	(2.5)	2,426	(10.0)	2,589	(9.7)	1,746	(10.2)
September 30, 2019	24,032	(4.4)	2,695	(17.2)	2,867	(18.6)	1,944	(18.3)

Note: Comprehensive income
Six months ended September 30, 2020: ¥1,809 million [(0.2)%]
Six months ended September 30, 2019: ¥1,814 million [(27.2)%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2020	34.07	—
September 30, 2019	37.33	—

(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
September 30, 2020	66,493	51,563	77.0	998.95
March 31, 2020	66,324	50,783	76.0	983.89

Reference: Shareholders' equity
As of September 30, 2020: ¥51,218 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	Yen	Yen	Yen
Fiscal year ending March 31, 2021	–	10.00	–	20.00	30.00
	–	10.00			
Fiscal year ending March 31, 2021 (Forecast)			–	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
Fiscal year ending March 31, 2021	50,000	(5.8)	5,200	(19.3)	5,350	(23.5)	3,650	(22.5)	71.19

Note: Revisions to the earnings forecasts most recently announced: Yes

* 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 September 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 September 30, 2020	8,113,999 shares
As of March 31, 2020	8,121,256 shares

- c. Average number of outstanding shares during period

Six months ended September 30, 2020	51,267,805 shares
Six months ended September 30, 2019	52,087,804 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 Six 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.

Contents of Attached Materials

1. Qualitative Information Regarding Results for the First Six Months	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	6
Quarterly consolidated statements of income (cumulative).....	6
Quarterly consolidated statements of comprehensive income (cumulative)	7
(3) Quarterly consolidated statements of cash flows	8
(4) Notes to quarterly consolidated financial statements	10
Notes on premise of going concern.....	10
Notes on significant changes in the amount of shareholders' equity	10
Additional information	10
Segment information, etc.	11
3. Supplementary Information	12
Status of orders received, sales and balance of orders	12

1. Qualitative Information Regarding Results for the First Six Months

(1) Explanation of operating results

During the six months ended September 30, 2020, the outlook for the Japanese economy continued to be uncertain, as the movement of people and goods was significantly restricted due to the spread of novel coronavirus disease (COVID-19), drastically affecting business activities in Japan and abroad. Although there are signs of recovery following the gradual resumption of economic activity, we still cannot forecast when the spread of the disease will stop, and while the reopening of economies is lagging in numerous countries and trade restrictions, etc. are being imposed, there is concern that it will take a long time for a return to the level of economic activity existing before the corona crisis.

Under these economic conditions, the Meisei Group recorded total construction orders received for the six months ended September 30, 2020 of ¥25,537 million (a year-on-year increase of 12.1%), reflecting an increase in orders for new construction projects and maintenance projects in the Construction Business in Japan and overseas. On the other hand, the Group recorded net sales of ¥23,441 million (a year-on-year decrease of 2.5%), reflecting a decrease in the Boiler Business despite solid results 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 ¥2,426 million (a year-on-year decrease of 10.0%), ordinary profit amounted to ¥2,589 million (a year-on-year decrease of 9.7%) and profit attributable to owners of parent totaled ¥1,746 million (a year-on-year decrease of 10.2%).

Results by segment are as follows.

(i) Construction Business

Net sales in the Construction Business totaled ¥20,460 million (a year-on-year increase of 0.1%), reflecting solid progress in new construction projects and maintenance projects for the basic materials sector in Japan and overseas. Segment profit amounted to ¥2,334 million (a year-on-year decrease of 3.2%), reflecting factors such as an increased cost burden due to labor shortages.

(ii) Boiler Business

Net sales in the Boiler Business totaled ¥2,981 million (a year-on-year decrease of 16.9%), reflecting factors such as a decline in orders for large projects in Japan. In line with the decrease in net sales, segment profit amounted to ¥87 million (a year-on-year decrease of 68.7%).

(2) Explanation of financial position

Assets

Total current assets as of September 30, 2020 amounted to ¥45,268 million, an increase of ¥50 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in cash and deposits of ¥1,885 million, an increase in costs on construction contracts in progress of ¥1,326 million, and a decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥3,225 million. Total non-current assets amounted to ¥21,225 million, an increase of ¥119 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in property, plant and equipment of ¥242 million, an increase in investment securities of ¥134 million, and a decrease in deferred tax assets of ¥109 million.

As a result, total assets amounted to ¥66,493 million, an increase of ¥169 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of September 30, 2020 amounted to ¥10,438 million, a decrease of ¥1,308 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 ¥641 million, a decrease in notes payable, accounts payable for construction contracts and other of ¥864 million, a decrease in short-term borrowings of ¥650 million, and a decrease in income taxes payable of ¥265 million. Total non-current liabilities amounted to ¥4,491 million, an increase of ¥698 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in long-term borrowings of ¥740 million and a decrease in retirement benefit liability of ¥60 million.

As a result, total liabilities amounted to ¥14,930 million, a decrease of ¥610 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of September 30, 2020 amounted to ¥51,563 million, an increase of ¥779 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in profit attributable to owners of parent of ¥1,746 million, and a decrease of ¥1,028 million due to dividends of surplus.

As a result, the equity-to-asset ratio was 77.0% (76.0% at the end of the previous fiscal year).

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

The spread of COVID-19 is impacting economic activities, and 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.

In light of the above, and after considering the results of the six months ended September 30, 2020, among other factors, the earnings forecasts for the fiscal year ending March 31, 2021 have been revised from those announced in the financial results report released on May 8, 2020 as follows.

	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
Previous forecast (A)	55,000	5,600	5,750	3,950	77.05
Revised forecast (B)	50,000	5,200	5,350	3,650	71.19
Change (B-A)	(5,000)	(400)	(400)	(300)	—
Change (%)	(9.1)	(7.1)	(7.0)	(7.6)	—
Results of the previous fiscal year	53,073	6,442	6,996	4,709	91.00

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 September 30, 2020
Assets		
Current assets		
Cash and deposits	19,391	21,277
Notes receivable, accounts receivable from completed construction contracts and other	22,940	19,714
Securities	300	501
Costs on construction contracts in progress	1,602	2,928
Merchandise and finished goods	230	300
Raw materials and supplies	444	181
Other	359	391
Allowance for doubtful accounts	(50)	(26)
Total current assets	45,218	45,268
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,967	9,981
Machinery and vehicles	4,780	4,841
Land	11,160	11,160
Other	1,384	1,883
Accumulated depreciation	(11,959)	(12,291)
Total property, plant and equipment	15,333	15,575
Intangible assets	67	81
Investments and other assets		
Investment securities	2,849	2,983
Investment property	2,099	2,076
Retirement benefit asset	24	28
Deferred tax assets	239	129
Other	530	435
Allowance for doubtful accounts	(37)	(85)
Total investments and other assets	5,705	5,568
Total non-current assets	21,106	21,225
Total assets	66,324	66,493

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	7,469	6,605
Accounts payable - trade	554	489
Short-term borrowings	710	60
Income taxes payable	1,059	794
Advances received on construction contracts in progress	125	767
Provision for bonuses	434	443
Provision for bonuses for directors (and other officers)	83	—
Provision for warranties for completed construction	29	65
Provision for loss on construction contracts	6	—
Other	1,273	1,213
Total current liabilities	11,747	10,438
Non-current liabilities		
Long-term borrowings	250	990
Retirement benefit liability	631	571
Provision for retirement benefits for directors (and other officers)	145	154
Provision for share-based remuneration for directors (and other officers)	46	56
Deferred tax liabilities	1,808	1,810
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	411	408
Total non-current liabilities	3,793	4,491
Total liabilities	15,540	14,930
Net assets		
Shareholders' equity		
Share capital	6,889	6,889
Capital surplus	1,179	1,179
Retained earnings	44,058	44,776
Treasury shares	(3,350)	(3,344)
Total shareholders' equity	48,776	49,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	440	630
Revaluation reserve for land	958	958
Foreign currency translation adjustment	352	209
Remeasurements of defined benefit plans	(88)	(81)
Total accumulated other comprehensive income	1,662	1,717
Non-controlling interests	344	344
Total net assets	50,783	51,563
Total liabilities and net assets	66,324	66,493

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

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales of completed construction contracts	24,032	23,441
Cost of sales of completed construction contracts	19,116	18,788
Gross profit on completed construction contracts	4,915	4,653
Selling, general and administrative expenses	2,220	2,226
Operating profit	2,695	2,426
Non-operating income		
Interest income	26	15
Dividend income	76	76
Rental income from real estate	122	127
Other	96	114
Total non-operating income	321	333
Non-operating expenses		
Interest expenses	2	2
Rental costs on real estate	74	71
Foreign exchange losses	19	73
Other	53	23
Total non-operating expenses	150	171
Ordinary profit	2,867	2,589
Profit before income taxes	2,867	2,589
Income taxes - current	834	808
Income taxes - deferred	80	25
Total income taxes	915	834
Profit	1,952	1,754
Profit attributable to non-controlling interests	7	8
Profit attributable to owners of parent	1,944	1,746

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	1,952	1,754
Other comprehensive income		
Valuation difference on available-for-sale securities	(93)	190
Foreign currency translation adjustment	(47)	(142)
Remeasurements of defined benefit plans, net of tax	2	6
Total other comprehensive income	(138)	55
Comprehensive income	1,814	1,809
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,806	1,801
Comprehensive income attributable to non-controlling interests	7	8

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,867	2,589
Depreciation	223	376
Increase (decrease) in allowance for doubtful accounts	(40)	24
Increase (decrease) in provision for loss on construction contracts	1	(6)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	9
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	8	10
Increase (decrease) in other provisions	(119)	(38)
Decrease (increase) in retirement benefit asset	(16)	(4)
Increase (decrease) in retirement benefit liability	(39)	(50)
Interest and dividend income	(102)	(91)
Interest expenses	2	2
Foreign exchange losses (gains)	20	17
Decrease (increase) in trade receivables	5,560	3,225
Decrease (increase) in costs on construction contracts in progress	(940)	(1,326)
Decrease (increase) in inventories	29	47
Increase (decrease) in advances received on construction contracts in progress	(358)	641
Increase (decrease) in trade payables	(610)	(923)
Other, net	(826)	(240)
Subtotal	5,658	4,261
Interest and dividends received	104	90
Interest paid	(2)	(2)
Income taxes paid	(1,256)	(1,002)
Net cash provided by (used in) operating activities	4,504	3,347

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Payments into time deposits	(239)	(84)
Proceeds from withdrawal of time deposits	209	84
Purchase of investment securities	(5)	(133)
Proceeds from sales and redemption of investment securities	100	—
Purchase of property, plant and equipment	(266)	(503)
Proceeds from distributions from investment partnerships	—	117
Other, net	32	89
Net cash provided by (used in) investing activities	(169)	(430)
Cash flows from financing activities		
Proceeds from long-term borrowings	250	800
Repayments of long-term borrowings	(280)	(710)
Purchase of treasury shares	(411)	(0)
Proceeds from disposal of treasury shares	6	6
Proceeds from exercise of employee share options	29	—
Dividends paid	(1,045)	(1,027)
Dividends paid to non-controlling interests	—	(8)
Other, net	14	(1)
Net cash provided by (used in) financing activities	(1,436)	(940)
Effect of exchange rate change on cash and cash equivalents	(41)	(92)
Net increase (decrease) in cash and cash equivalents	2,856	1,883
Cash and cash equivalents at beginning of period	20,642	19,381
Cash and cash equivalents at end of period	23,499	21,264

(4) 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 September 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 economic activity will recover gradually as the disease's impact draws to an end, 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. Six months ended September 30, 2019 (from April 1, 2019 to September 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	20,443	3,588	24,032	—	24,032
(2) Intersegment sales or transfers	27	73	101	(101)	—
Total	20,471	3,662	24,133	(101)	24,032
Segment profit	2,411	278	2,690	5	2,695

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 quarterly consolidated statements of income.

II. Six months ended September 30, 2020 (from April 1, 2020 to September 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	20,460	2,981	23,441	—	23,441
(2) Intersegment sales or transfers	80	95	176	(176)	—
Total	20,540	3,077	23,618	(176)	23,411
Segment profit	2,334	87	2,421	5	2,426

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 quarterly consolidated statements of income.

3. Supplementary Information

Status of orders received, sales and balance of orders

a. Orders received

Segment	Six months ended September 30, 2019		Six months ended September 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%
Construction	20,581	90.3	24,208	94.8	3,626	43,528	91.6
Boiler	2,198	9.7	1,328	5.2	(870)	3,971	8.4
Total	22,780	100.0	25,537	100.0	2,756	47,499	100.0

b. Net sales

Segment	Six months ended September 30, 2019		Six months ended September 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	20,443	85.1	20,460	87.3	16	45,475	85.7
Boiler	3,588	14.9	2,981	12.7	(607)	7,597	14.3
Total	24,032	100.0	23,411	100.0	(590)	53,073	100.0

c. Balance of orders

Segment	Six months ended September 30, 2019		Six months ended September 30, 2020		Increase (decrease)	Fiscal year ended March 31, 2020	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	15,434	73.1	17,096	90.6	1,662	13,348	79.5
Boiler	5,671	26.9	1,782	9.4	(3,889)	3,435	20.5
Total	21,106	100.0	18,879	100.0	(2,227)	16,783	100.0