

Consolidated Financial Results for the Nine Months Ended December 31, 2016 [Japanese GAAP]



February 9, 2017

Company name: MAEDA ROAD CONSTRUCTION CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1883

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Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2016	163,572	1.4	18,309	1.3	18,726	0.7	12,867	6.3
Nine months ended December 31, 2015	161,378	(1.7)	18,072	33.0	18,591	31.2	12,107	41.4

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥21,301 million [81.8%]

Nine months ended December 31, 2015: ¥11,719 million [3.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2016	149.09	-
Nine months ended December 31, 2015	140.39	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	247,346	190,201	76.5
As of March 31, 2016	247,076	173,720	69.8

(Reference) Equity: As of December 31, 2016: ¥189,137 million

As of March 31, 2016: ¥172,567 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	-	-	55.00	55.00
Fiscal year ending March 31, 2017	-	-	-		
Fiscal year ending March 31, 2017 (Forecast)				45.00	45.00

(Note) Revision of dividends forecast from recently announced figures: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	230,000	(1.2)	25,000	(13.2)	25,300	(13.6)	15,500	179.60

(Note) Revision of results forecast from recently announced figures: No

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2016 (Changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Application of accounting methods specific to 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):
 - December 31, 2016: 94,159,453 shares
 - March 31, 2016: 94,159,453 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2016: 7,856,570 shares
 - March 31, 2016: 7,849,382 shares
 - 3) Average number of shares during the period (cumulative):
 - Nine months ended December 31, 2016: 86,306,889 shares
 - Nine months ended December 31, 2015: 86,247,470 shares

* Presentation regarding the implementation status of the quarterly review process

At the time of disclosure of these quarterly financial results, review procedures for the financial statements under the Financial Instruments and Exchange Act have been completed.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on the information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, and the Company does not intend to make guarantees of achievement. Additionally, actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2016.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Matters Concerning Summary Information (Notes).....	5
(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	5
(2) Additional Information	5
3. Quarterly Consolidated Financial Statements	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Notes to the Quarterly Consolidated Financial Statements.....	10
(Notes on Going Concern Assumption)	10
(Notes to Significant Changes in Shareholders' Equity)	10
(Segment Information, etc.).....	10
4. Supplementary Information.....	12
Amount of orders received, net sales and amount carried forward to next period by business (non-consolidated)	12

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2016

(1) Explanation of Operating Results

During the nine months ended December 31, 2016, the environment surrounding MAEDA ROAD CONSTRUCTION CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) continued to be harsh as public investment struggled to find growth, despite a recovery trend in corporate capital investment, backed by factors such as a recovery in corporate earnings.

Amid this environment, the Group, in the construction business, made efforts to secure construction orders from the private sector, while in the manufacturing and sales business, strived to retain sales volume and maintain profitability.

The amount of orders received during the nine months ended December 31, 2016 was ¥177,515 million, up 2.1% year on year, net sales amounted to ¥163,572 million, up 1.4% year on year, and operating income amounted to ¥18,309 million, up 1.3% year on year. Ordinary income came to ¥18,726 million, up 0.7% year on year, and profit attributable to owners of parent was ¥12,867 million, up 6.3% year on year.

The Group is affected by seasonal factors, and of the net sales for a fiscal year, the second half weighs larger.

The results by segment are as follows:

Construction business

In the construction business, the amount of received construction contracts for the nine months ended December 31, 2016 was ¥121,537 million, up 3.9% year on year, the amount of completed construction contracts was ¥107,274 million, up 3.0% year on year, and operating income was ¥9,465 million, down 4.9% year on year.

Manufacturing and sales business

In the manufacturing and sales business, net sales of asphalt mixture and other products for the nine months ended December 31, 2016 amounted to ¥55,977 million, down 1.5% year on year, while operating income amounted to ¥11,859 million, up 7.3% year on year.

Others

Net sales of other businesses for the nine months ended December 31, 2016 amounted to ¥320 million, down 14.5% year on year, while operating income amounted to ¥81 million, up 398.4% year on year.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥5,056 million compared to the end of the previous fiscal year to ¥143,731 million, mainly due to a decrease in notes receivable, accounts receivable from completed construction contracts and other, due to collection.

Non-current assets increased by ¥5,326 million compared to the end of the previous fiscal year to ¥103,614 million, mainly due to an increase in land.

As a result, total assets increased by ¥269 million compared to the end of the previous fiscal year to ¥247,346 million.

(Liabilities)

Current liabilities decreased by ¥6,400 million compared to the end of the previous fiscal year to ¥43,143 million, mainly due to decreases in notes payable, accounts payable for construction contracts and other resulting from payment and a decrease in income taxes payable resulting from payment of taxes.

Non-current liabilities decreased by ¥9,811 million compared to the end of the previous fiscal year to ¥14,000 million, mainly due to a decrease in net defined benefit liability.

As a result, total liabilities decreased by ¥16,212 million compared to the end of the previous fiscal year to ¥57,144 million.

(Net assets)

Total net assets increased by ¥16,481 million compared to the end of the previous fiscal year to ¥190,201 million, mainly due to an increase in retained earnings as a result of earnings posted in this period.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending March 31, 2017 has not changed from the financial results forecast announced on May 12, 2016.

1) On suspicion of violation of the Anti-monopoly Act with regard to bids for pavement disaster restoration work connected with the Great East Japan Earthquake that was ordered by the Tohoku Branch of the East Nippon Expressway Company Limited, the Company received an on-site inspection from the Japan Fair Trade Commission on January 28, 2015, a compulsory investigation by the Special Investigation Department of the Tokyo District Public Prosecutors Office and an on-site inspection by the Japan Fair Trade Commission on January 20, 2016, and was indicted by the Tokyo District Public Prosecutors Office on February 29, 2016. On September 6, 2016, the Company received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission, and on September 7, 2016, the Company received a monetary penalty payment order from the Tokyo District Court.

2) On suspicion of violation of the Anti-monopoly Act with regard to bids for pavement disaster restoration work connected with the Great East Japan Earthquake that was ordered by the Kanto Branch of the East Nippon Expressway Company Limited, the Company received an on-site inspection by the Japan Fair Trade Commission on March 24, 2016 and has fully cooperated on all fronts with inspections by the Commission. However, the Company received a cease and desist order and a surcharge payment order on September 21, 2016 by the Commission.

In addition, with regard to the constructions in 1) and 2), the Company received on November 17, 2016 a business suspension order for the period from December 2, 2016 to February 14, 2017 by the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism based on the provisions of Article 28, Paragraph 3 of the Construction Business Act.

3) On suspicion of violation of the Anti-monopoly Act with regard to pavement construction ordered by the Tokyo Metropolitan Government, Tokyo Port Terminal Corporation, or NARITA INTERNATIONAL AIRPORT CORPORATION or pavement construction regarding Tokyo International Airport ordered by the Ministry of Land, Infrastructure, Transport and Tourism, the Company received an on-site inspection by the Japan Fair Trade Commission on August 2, 2016.

4) On suspicion of determining the sales price hike of asphalt mixture supplied to Kobe City and its vicinity jointly with other manufacturers and distributors of asphalt mixture, the Company received an on-site inspection from the Japan Fair Trade Commission on September 28, 2016.

With regard to the related losses arising from the penalties and surcharges, etc. associated with 1) and 2), these losses were recorded as provision for loss on Anti-Monopoly Act during the previous fiscal year. Accordingly, the effect of these losses to financial results for the fiscal year ending March 31, 2017 is insignificant.

The Company will work to restore trust quickly by taking further exhaustive measures for legal compliance while solemnly accepting the current state of affairs and continuing to cooperate on all fronts with inspections etc. by the authorities concerned.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

(Changes in Accounting Policies)

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

In line with revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have applied the “Practical solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016) from the three months ended June 30, 2016, and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change to the quarterly consolidated financial statements for the nine months ended December 31, 2016 is insignificant.

(2) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the three months ended June 30, 2016.

(Transfer of the Substitutional Portion of the Employees’ Pension Fund)

On October 1, 2016, the Company received approval from the Minister of Health, Labour and Welfare for exemption from future pension liabilities with regard to the substitutional portion of employees’ pension fund.

In line with this approval, pursuant to the provisions of the “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25), the Company recognizes the difference (an ¥8,890 million decrease in obligations) between benefit obligations pertaining to the substitutional portion immediately before the approval and benefit obligations reflecting the exemption from future pension liabilities as the past service cost pertaining to the substitutional portion. This past service cost has been amortized by the straight-line method over the average of the estimated remaining years of service of employees.

Furthermore, the Company plans to implement procedures to return the past portions, and will recognize a gain or loss pertaining to these substitutional portions as of the date on which approval for the return is obtained.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	37,141	36,006
Notes receivable, accounts receivable from completed construction contracts and other	49,130	39,033
Securities	42,785	44,400
Costs on uncompleted construction contracts and other	6,678	12,578
Other	13,181	11,812
Allowance for doubtful accounts	(129)	(98)
Total current assets	148,788	143,731
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,453	14,749
Machinery and vehicles, net	12,428	12,235
Land	45,098	49,123
Other, net	869	2,574
Total property, plant and equipment	72,850	78,684
Intangible assets	1,284	1,115
Investments and other assets		
Investment securities	17,316	20,302
Other	6,848	3,518
Allowance for doubtful accounts	(12)	(6)
Total investments and other assets	24,152	23,814
Total non-current assets	98,288	103,614
Total assets	247,076	247,346

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	26,593	25,692
Income taxes payable	6,976	2,124
Advances received on uncompleted construction contracts	3,614	6,826
Provision for bonuses	3,159	1,542
Provision	407	477
Other	8,792	6,480
Total current liabilities	49,544	43,143
Non-current liabilities		
Net defined benefit liability	21,814	12,727
Provision for loss on Anti-Monopoly Act	1,320	631
Other	677	641
Total non-current liabilities	23,812	14,000
Total liabilities	73,356	57,144
Net assets		
Shareholders' equity		
Capital stock	19,350	19,350
Capital surplus	23,262	23,343
Retained earnings	138,195	146,324
Treasury shares	(4,767)	(4,781)
Total shareholders' equity	176,041	184,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,023	5,837
Foreign currency translation adjustment	(90)	(278)
Remeasurements of defined benefit plans	(7,406)	(658)
Total accumulated other comprehensive income	(3,474)	4,900
Non-controlling interests	1,153	1,063
Total net assets	173,720	190,201
Total liabilities and net assets	247,076	247,346

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended December 31, 2016

(Million yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Net sales	161,378	163,572
Cost of sales	136,153	137,883
Gross profit	25,224	25,688
Selling, general and administrative expenses	7,152	7,379
Operating income	18,072	18,309
Non-operating income		
Interest income	42	60
Dividend income	208	297
Other	345	176
Total non-operating income	596	534
Non-operating expenses		
Other	76	118
Total non-operating expenses	76	118
Ordinary income	18,591	18,726
Extraordinary income		
Gain on sales of non-current assets	68	70
Reversal of provision for loss on Anti-Monopoly Act	—	139
Reversal of business structure improvement expenses	—	279
Reversal of environmental expenses	124	—
Gain on step acquisitions	125	—
Other	5	24
Total extraordinary income	323	514
Extraordinary losses		
Loss on retirement of non-current assets	147	187
Impairment loss	215	31
Other	28	3
Total extraordinary losses	391	222
Profit before income taxes	18,523	19,018
Income taxes	6,391	6,091
Profit	12,132	12,926
Profit attributable to non-controlling interests	24	58
Profit attributable to owners of parent	12,107	12,867

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended December 31, 2016

(Million yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Profit	12,132	12,926
Other comprehensive income		
Valuation difference on available-for-sale securities	(918)	1,814
Foreign currency translation adjustment	(8)	(187)
Remeasurements of defined benefit plans, net of tax	513	6,747
Total other comprehensive income	(412)	8,375
Comprehensive income	11,719	21,301
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,697	21,242
Comprehensive income attributable to non-controlling interests	22	58

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes to Significant Changes in Shareholders' Equity)

For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

There is no relevant information.

(Segment Information, etc.)

[Segment information]

For the nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Construction business	Manufacturing and sales business	Total				
Net sales							
Net sales to outside customers	104,171	56,832	161,003	374	161,378	—	161,378
Inter-segment net sales or transfers	14	19,264	19,278	378	19,656	(19,656)	—
Total	104,185	76,096	180,282	752	181,034	(19,656)	161,378
Segment income	9,948	11,047	20,996	16	21,012	(2,940)	18,072

(Notes)

1. "Other" incorporates operations not included in reportable segments, including leasing, insurance agency and consultancy services, etc.
2. The adjustment for segment income of ¥(2,940) million includes elimination of inter-segment transactions of ¥4 million and corporate expenses not allocated to each reportable segment of ¥(2,945) million. Corporate expenses are general and administrative expenses that are not attributable to reportable segments.
3. Segment income is adjusted to the operating income in the quarterly consolidated statements of income.

For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Construction business	Manufacturing and sales business	Total				
Net sales							
Net sales to outside customers	107,274	55,977	163,251	320	163,572	—	163,572
Inter-segment net sales or transfers	42	17,822	17,864	482	18,347	(18,347)	—
Total	107,316	73,800	181,116	802	181,919	(18,347)	163,572
Segment income	9,465	11,859	21,324	81	21,406	(3,096)	18,309

(Notes)

1. “Other” incorporates operations not included in reportable segments, including leasing, insurance agency and consultancy services, etc.
2. The adjustment for segment income of ¥(3,096) million includes elimination of inter-segment transactions of ¥(11) million and corporate expenses not allocated to each reportable segment of ¥(3,084) million. Corporate expenses are general and administrative expenses that are not attributable to reportable segments.
3. Segment income is adjusted to the operating income in the quarterly consolidated statements of income.

4. Supplementary Information

Amount of orders received, net sales and amount carried forward to next period by business (non-consolidated)

Category			For the nine months ended December 31, 2015		For the nine months ended December 31, 2016		Change		(Reference) For the fiscal year ended March 31, 2016	
			Amount (million yen)	Composition rate (%)	Amount (million yen)	Composition rate (%)	Amount (million yen)	Change rate (%)	Amount (million yen)	Composition rate (%)
Orders received	Construction business	Asphalt pavements	91,372	54.2	92,908	55.2	1,536	1.7	122,114	53.6
		Concrete pavements	1,411	0.8	1,460	0.9	49	3.5	1,431	0.6
		Civil engineering works	20,982	12.5	20,963	12.4	(19)	(0.1)	27,953	12.3
		Subtotal	113,765	67.5	115,332	68.5	1,566	1.4	151,499	66.5
	Product business		54,846	32.5	53,016	31.5	(1,830)	(3.3)	76,450	33.5
	Total		168,612	100.0	168,348	100.0	(264)	(0.2)	227,950	100.0
Net sales	Construction business	Asphalt pavements	77,367	50.3	82,547	53.0	5,179	6.7	115,268	52.1
		Concrete pavements	2,390	1.6	886	0.6	(1,503)	(62.9)	2,497	1.1
		Civil engineering works	19,054	12.4	19,152	12.3	98	0.5	26,925	12.2
		Subtotal	98,812	64.3	102,587	65.9	3,774	3.8	144,690	65.4
	Product business		54,846	35.7	53,016	34.1	(1,830)	(3.3)	76,450	34.6
	Total		153,659	100.0	155,603	100.0	1,944	1.3	221,141	100.0
Amount carried forward to next period	Construction business	Asphalt pavements	35,523	80.4	38,726	79.4	3,202	9.0	28,365	78.7
		Concrete pavements	391	0.9	879	1.8	487	124.5	305	0.9
		Civil engineering works	8,265	18.7	9,176	18.8	910	11.0	7,365	20.4
		Subtotal	44,181	100.0	48,781	100.0	4,600	10.4	36,036	100.0
	Product business		—	—	—	—	—	—	—	—
	Total		44,181	100.0	48,781	100.0	4,600	10.4	36,036	100.0

(Note) Amounts of less than one million yen are rounded down.