

Consolidated Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]



August 8, 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 Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	48,542	4.6	3,174	(14.4)	3,440	(10.5)	2,239	(11.9)
Three months ended June 30, 2016	46,387	(2.9)	3,708	(2.0)	3,843	(5.1)	2,542	(1.9)

(Note) Comprehensive income: Three months ended June 30, 2017: ¥4,440 million [108.2%]

Three months ended June 30, 2016: ¥2,132 million [(22.0)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2017	25.95	-
Three months ended June 30, 2016	29.46	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	245,789	194,045	78.5
As of March 31, 2017	258,037	194,420	74.9

(Reference) Equity: As of June 30, 2017: ¥192,968 million

As of March 31, 2017: ¥193,314 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, 2017	-	-	-	55.00	55.00
Fiscal year ending March 31, 2018	-				
Fiscal year ending March 31, 2018 (Forecast)		-	-	55.00	55.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
First half	100,000	(1.6)	9,900	(4.1)	10,100	(3.6)	6,600	76.48
Full year	240,000	3.0	27,200	2.1	27,400	1.3	18,300	212.05

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

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017 (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: 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):
 - June 30, 2017: 94,159,453 shares
 - March 31, 2017: 94,159,453 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2017: 7,858,241 shares
 - March 31, 2017: 7,857,343 shares
 - 3) Average number of shares during the period (cumulative):
 - Three months ended June 30, 2017: 86,301,641 shares
 - Three months ended June 30, 2016: 86,309,043 shares

* These quarterly consolidated financial results are outside of the scope of quarterly review.

* 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.

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1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2017

(1) Explanation of Operating Results

During the three months ended June 30, 2017, the environment surrounding MAEDA ROAD CONSTRUCTION CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) continued to be harsh as the outlook for raw material prices was uncertain, despite a recovery trend in corporate capital investment, backed by factors such as a recovery in corporate earnings, and steadier public investment.

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 by conducting the recycling-oriented business on an ongoing basis through recycling of construction wastes, etc.

The amount of orders received during the three months ended June 30, 2017 was ¥57,928 million, up 10.5% year on year, net sales amounted to ¥48,542 million, up 4.6% year on year, and operating profit amounted to ¥3,174 million, down 14.4% year on year. Ordinary profit came to ¥3,440 million, down 10.5% year on year, and profit attributable to owners of parent was ¥2,239 million, down 11.9% 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 three months ended June 30, 2017 was ¥40,746 million, up 10.9% year on year, the amount of completed construction contracts was ¥31,241 million, up 2.1% year on year, and operating profit was ¥1,731 million, down 21.4% year on year.

Manufacturing and sales business

In the manufacturing and sales business, net sales of asphalt mixture and other products for the three months ended June 30, 2017 amounted to ¥17,182 million, up 9.8% year on year, while operating profit amounted to ¥2,549 million, down 3.2% year on year.

Others

Net sales of other businesses for the three months ended June 30, 2017 amounted to ¥118 million, down 18.2% year on year, while operating profit amounted to ¥8 million, up 17.0% year on year.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥14,296 million compared to the end of the previous fiscal year to ¥137,829 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 ¥2,049 million compared to the end of the previous fiscal year to ¥107,960 million, mainly due to an increase in investment securities on the back of a rise in market value.

As a result, total assets decreased by ¥12,247 million compared to the end of the previous fiscal year to ¥245,789 million.

(Liabilities)

Current liabilities decreased by ¥11,155 million compared to the end of the previous fiscal year to ¥36,286 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 ¥717 million compared to the end of the previous fiscal year to ¥15,457 million, mainly due to a decrease in provision for loss on Anti-Monopoly Act.

As a result, total liabilities decreased by ¥11,872 million compared to the end of the previous fiscal year to ¥51,744 million.

(Net assets)

Total net assets decreased by ¥375 million compared to the end of the previous fiscal year to ¥194,045 million, mainly due to dividends from surplus.

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

The financial results forecast for the fiscal year ending March 31, 2018 has not changed from the financial results forecast announced on May 12, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	43,407	39,344
Notes receivable, accounts receivable from completed construction contracts and other	44,187	32,449
Securities	44,375	44,370
Costs on uncompleted construction contracts and other	7,296	9,999
Other	12,956	11,741
Allowance for doubtful accounts	(97)	(75)
Total current assets	152,126	137,829
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,446	16,412
Machinery and vehicles, net	12,776	12,874
Land	49,510	49,557
Other, net	1,741	1,945
Total property, plant and equipment	80,474	80,790
Intangible assets	1,063	996
Investments and other assets		
Investment securities	20,341	23,419
Other	4,031	2,753
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	24,372	26,173
Total non-current assets	105,910	107,960
Total assets	258,037	245,789

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	26,655	21,463
Income taxes payable	5,627	239
Advances received on uncompleted construction contracts	3,929	5,536
Provision for bonuses	3,177	1,597
Provision	482	351
Other	7,569	7,098
Total current liabilities	47,441	36,286
Non-current liabilities		
Net defined benefit liability	14,289	14,281
Provision for loss on Anti-Monopoly Act	1,241	610
Other	644	566
Total non-current liabilities	16,175	15,457
Total liabilities	63,616	51,744
Net assets		
Shareholders' equity		
Capital stock	19,350	19,350
Capital surplus	23,343	23,343
Retained earnings	151,380	148,866
Treasury shares	(4,782)	(4,784)
Total shareholders' equity	189,291	186,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,847	7,966
Foreign currency translation adjustment	(117)	(150)
Remeasurements of defined benefit plans	(1,706)	(1,622)
Total accumulated other comprehensive income	4,022	6,192
Non-controlling interests	1,105	1,077
Total net assets	194,420	194,045
Total liabilities and net assets	258,037	245,789

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended June 30, 2017

(Million yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Net sales	46,387	48,542
Cost of sales	40,062	42,806
Gross profit	6,325	5,735
Selling, general and administrative expenses	2,617	2,561
Operating profit	3,708	3,174
Non-operating income		
Interest income	23	6
Dividend income	195	239
Other	54	57
Total non-operating income	273	303
Non-operating expenses		
Other	137	37
Total non-operating expenses	137	37
Ordinary profit	3,843	3,440
Extraordinary income		
Gain on sales of non-current assets	21	16
Other	10	2
Total extraordinary income	31	19
Extraordinary losses		
Loss on retirement of non-current assets	24	25
Provision for loss on Anti-Monopoly Act	—	126
Other	59	12
Total extraordinary losses	84	163
Profit before income taxes	3,791	3,295
Income taxes	1,239	1,025
Profit	2,551	2,270
Profit attributable to non-controlling interests	8	30
Profit attributable to owners of parent	2,542	2,239

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30, 2017

(Million yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Profit	2,551	2,270
Other comprehensive income		
Valuation difference on available-for-sale securities	(674)	2,120
Foreign currency translation adjustment	23	(32)
Remeasurements of defined benefit plans, net of tax	232	83
Total other comprehensive income	(418)	2,170
Comprehensive income	2,132	4,440
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,125	4,409
Comprehensive income attributable to non-controlling interests	7	31

(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 three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

There is no relevant information.

(Segment Information, etc.)

[Segment information]

For the three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

Information on net sales and profit (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	30,593	15,649	46,243	144	46,387	—	46,387
Inter-segment net sales or transfers	12	5,274	5,286	141	5,427	(5,427)	—
Total	30,606	20,923	51,529	285	51,815	(5,427)	46,387
Segment profit	2,202	2,632	4,835	7	4,842	(1,133)	3,708

(Notes)

1. "Other" incorporates operations not included in reportable segments, including leasing, insurance agency and consultancy services, etc.
2. The adjustment for segment profit of ¥(1,133) million includes elimination of inter-segment transactions of ¥6 million and corporate expenses not allocated to each reportable segment of ¥(1,139) million. Corporate expenses are general and administrative expenses that are not attributable to reportable segments.
3. Segment profit is adjusted to the operating profit in the quarterly consolidated statements of income.

For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

Information on net sales and profit (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	31,241	17,182	48,424	118	48,542	—	48,542
Inter-segment net sales or transfers	5	5,548	5,553	145	5,699	(5,699)	—
Total	31,246	22,731	53,977	263	54,241	(5,699)	48,542
Segment profit	1,731	2,549	4,280	8	4,289	(1,114)	3,174

(Notes)

1. “Other” incorporates operations not included in reportable segments, including leasing, insurance agency and consultancy services, etc.
2. The adjustment for segment profit of ¥(1,114) million includes elimination of inter-segment transactions of ¥3 million and corporate expenses not allocated to each reportable segment of ¥(1,118) million. Corporate expenses are general and administrative expenses that are not attributable to reportable segments.
3. Segment profit is adjusted to the operating profit in the quarterly consolidated statements of income.

3. Others

(1) Amount of Orders Received, Net Sales and Amount Carried Forward to Next Period by Business (Non-consolidated)

Category			For the three months ended June 30, 2016		For the three months ended June 30, 2017		Change		(Reference) For the fiscal year ended March 31, 2017	
			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	29,187	58.1	31,883	58.5	2,696	9.2	116,008	52.8
		Concrete pavements	409	0.8	362	0.6	(46)	(11.4)	1,784	0.8
		Civil engineering works	5,953	11.9	6,373	11.7	420	7.1	26,715	12.2
		Subtotal	35,550	70.8	38,619	70.8	3,069	8.6	144,508	65.8
	Product business		14,656	29.2	15,898	29.2	1,242	8.5	75,088	34.2
	Total		50,206	100.0	54,518	100.0	4,311	8.6	219,596	100.0
Net sales	Construction business	Asphalt pavements	23,866	54.3	23,265	51.1	(601)	(2.5)	117,385	53.1
		Concrete pavements	214	0.5	394	0.9	180	84.0	1,380	0.6
		Civil engineering works	5,237	11.9	5,943	13.1	706	13.5	27,180	12.3
		Subtotal	29,318	66.7	29,603	65.1	285	1.0	145,945	66.0
	Product business		14,656	33.3	15,898	34.9	1,242	8.5	75,088	34.0
	Total		43,974	100.0	45,502	100.0	1,527	3.5	221,034	100.0
Amount carried forward to next period	Construction business	Asphalt pavements	33,686	79.7	35,607	81.6	1,921	5.7	26,988	78.0
		Concrete pavements	500	1.2	676	1.6	176	35.3	709	2.1
		Civil engineering works	8,082	19.1	7,331	16.8	(751)	(9.3)	6,901	19.9
		Subtotal	42,268	100.0	43,615	100.0	1,346	3.2	34,599	100.0
	Product business		—	—	—	—	—	—	—	—
	Total		42,268	100.0	43,615	100.0	1,346	3.2	34,599	100.0

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

(2) Others

- 1) 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.
- 2) 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.
- 3) On suspicion of determining the sales price hike, etc. of asphalt mixture supplied nationwide jointly with other manufacturers and distributors of asphalt mixture, the Company received an on-site inspection from the Japan Fair Trade Commission on February 28, 2017.

Furthermore, in the three months ended June 30, 2017, the Company has reported surcharges and other losses related to the above that are highly likely to occur and for which it is possible to make a reasonable estimate of the amount as a provision for loss on Anti-Monopoly Act.

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.