

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under Japanese GAAP>



May 10, 2019

Company name: **MEISEI INDUSTRIAL CO., LTD.**
 Listing: First Section of Tokyo Securities Exchange
 Securities code: 1976
 URL: <http://www.meisei-kogyo.co.jp/en/ir/report/index.html>
 Representative: Toshiteru Otani, President and Representative Director
 Inquiries: Kazuhide Binochi, General Manager of Finance Division
 TEL: +81-6-6447-0275

Scheduled date of annual general meeting of shareholders: June 27, 2019
 Scheduled date to commence dividend payments: June 28, 2019
 Scheduled date to file annual securities report: June 28, 2019
 Preparation of supplementary results briefing material on financial results: Yes
 Holding of financial results presentation meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	52,810	(4.2)	7,277	15.5	7,532	16.1	5,068	16.3
March 31, 2018	55,146	6.6	6,300	12.6	6,487	13.7	4,357	11.2

Note: Comprehensive income

For the fiscal year ended March 31, 2019: ¥4,618 million [(1.6) %]

For the fiscal year ended March 31, 2018: ¥4,695 million [12.6 %]

	Basic net income per share	Diluted net income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	97.41	97.36	10.8	11.6	13.8
March 31, 2018	84.04	83.90	10.1	10.7	11.4

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2019: —

For the fiscal year ended March 31, 2018: —

(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
March 31, 2019	66,533	48,716	72.7	927.08
March 31, 2018	62,817	45,385	71.8	868.82

Reference: Shareholders' equity

As of March 31, 2019: ¥48,399 million

As of March 31, 2018: ¥45,098 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2019	2,970	(802)	(1,308)	20,642
March 31, 2018	9,763	(2,149)	(856)	19,864

2. Cash Dividends

	Cash dividends per share					Total cash dividends (Annual)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2018	–	8.00	–	18.00	26.00	1,349	30.9	3.1
March 31, 2019	–	10.00	–	20.00	30.00	1,569	30.8	3.3
Fiscal year ending March 31, 2020 (Forecast)	–	10.00	–	10.00	20.00		29.8	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2019	25,000	(0.6)	2,400	(26.3)	2,500	(29.0)	1,650	(30.7)	31.61
Fiscal year ending March 31, 2020	53,000	0.4	5,200	(28.5)	5,350	(29.0)	3,500	(30.9)	67.04

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements

- 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: None

(3) Number of issued shares (common shares)

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

As of March 31, 2019	59,386,718 shares
As of March 31, 2018	59,386,718 shares

b. Number of shares of treasury shares at end of period

As of March 31, 2019	7,179,817 shares
As of March 31, 2018	7,478,789 shares

c. Average number of outstanding shares during the period

For the fiscal year ended March 31, 2019	52,034,179 shares
For the fiscal year ended March 31, 2018	51,850,347 shares

Note: 1. For further details about the number of shares as a basis of calculation of net income per share (consolidated), please refer to the Attached Materials page 19 “Per share information” under “3. Consolidated Financial Statements (5) Notes to consolidated financial statements.”

2. 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.

(Reference) Overview of Non-consolidated operating results**1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2019**
(from April 1, 2018 to March 31, 2019)**(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	37,965	(10.9)	5,593	0.2	5,939	(2.8)	4,012	(3.5)
March 31, 2018	42,629	8.0	5,579	24.6	6,107	22.2	4,158	18.7

	Basic net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2019	77.11	77.08
March 31, 2018	80.19	80.06

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2019	47,988	37,680	78.5	721.72
March 31, 2018	46,216	35,290	76.3	679.71

Reference: Shareholders' equity

As of March 31, 2019: ¥37,678 million

As of March 31, 2018: ¥35,282 million

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020
(from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	18,000	(3.8)	1,900	(27.4)	2,350	(19.9)	1,600	(20.2)	30.65
Fiscal year ending March 31, 2020	40,000	5.4	4,600	(17.8)	5,100	(14.1)	3,400	(15.3)	65.13

* Consolidated Financial Results are not subject to auditing.

* 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. Overview of Operating Results, (1) Overview of operating results for the fiscal year under review" on page 2 of the attached materials for the matters regarding earnings forecasts.

Contents of Attached Materials

1. Overview of Operating Results	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review	3
(3) Basic policy on profit distribution and dividends for the current and next periods	5
2. Basic rationale for selecting the accounting standard	5
3. Consolidated Financial Statements and Key Notes	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and consolidated statements of comprehensive income	8
(3) Consolidated Statements of changes in equity	10
(4) Consolidated statements of cash flows	12
(5) Notes to consolidated financial statements.....	14
(Notes on premise of going concern).....	14
(New accounting standards not yet applied)	14
(Change in presentation of the financial statements).....	14
(Additional information)	14
(Segment information, etc.)	15
(Per share information).....	19
(Status of orders received, sales and balance of orders).....	20
(Significant events after the reporting period).....	20

1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

(i) Review of the fiscal year ended March 31, 2019 (fiscal 2018)

During the fiscal year ended March 31, 2019, while the employment and income environment continued to improve and the Japanese economy continued a trend of gradual recovery amid strong corporate earnings, the outlook remains uncertain due to factors such as an increase of protectionist trade policies.

Under these economic conditions, the Meisei Group recorded total construction orders received for the fiscal year ended March 31, 2019 of ¥49,418 million (a year-on-year increase of 2.2%) as a result of steady conditions in each business domain in the Construction Business. The Boiler Business recorded ¥6,746 million (a year-on-year increase of 26.1%), reflecting an increase in large-scale projects in Japan, while the Group recorded ¥56,165 million (a year-on-year increase of 4.6%).

Net sales of ¥52,810 million (a year-on-year decrease of 4.2%) were recorded. However, operating profit totaling ¥7,277 million (a year-on-year increase of 15.5%), ordinary profit amounting to ¥7,532 million (a year-on-year increase of 16.1%) and profit attributable to owners of parent to ¥5,068 million (a year-on-year increase of 16.3%), reflecting improvement in gross profit margin brought about by thorough cost management.

(ii) Overview of the performance by business segment

Construction Business

Despite steady conditions in each business domain in the Construction Business due to projects such as maintenance projects in Japan, net sales in the Construction Business totaled ¥46,351 million (a year-on-year decrease of 8.7%), reflecting a decrease in the international projects due to the completion of large-scale projects. Segment profit amounted to ¥6,740 million (a year-on-year increase of 11.9%) due to the improvement in gross profit margin.

Boiler Business

Net sales in the Boiler Business totaled ¥6,459 million (a year-on-year increase of 47.9%), reflecting steady sales in construction projects and maintenance projects in Japan. Segment profit amounted to ¥438 million (a year-on-year increase of 144.3%).

(iii) Outlook for the fiscal year ending March 31, 2020

With regard to forecasts, it is expected that the situation will continue to remain unclear amid many uncertainties that could have an effect on the Japanese and global economies. Also, in the Company's business environment, predictions include market scale shrinkage in Japan and intensified competition for the acquisition of orders overseas.

With regard to its consolidated earnings performance for the fiscal year ending March 31, 2020, the Group is forecasting net sales of ¥53,000 million, operating profit of ¥5,200 million, ordinary profit of ¥5,350 million and profit attributable to owners of parent of ¥3,500 million. With regard to non-consolidated earnings performance, the Company is forecasting net sales of ¥40,000 million, operating profit of ¥4,600 million, ordinary profit of ¥5,100 million and profit of ¥3,400 million.

(2) Overview of financial position for the fiscal year under review**Overview of the status in the current fiscal year****(i) Assets, liabilities and net assets**

Total assets as of March 31, 2019, amounted to ¥66,533 million, an increase of ¥3,715 million compared with the end of the previous fiscal year.

Total current assets amounted to ¥45,040 million, an increase of ¥3,978 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in accounts receivable from complete construction contracts of ¥2,807 million, and an increase in electronically recorded monetary claims - operating of ¥774 million. Total non-current assets amounted to ¥21,492 million, a decrease of ¥263 million compared with the end of the previous fiscal year. Principal contributory factors included a decrease in investment securities of ¥412 million.

Total current liabilities amounted to ¥13,598 million, a decrease of ¥22 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in accounts payable for construction contracts of ¥544 million, an increase in notes payable - trade of ¥420 million, a decrease in advances received on uncompleted construction contracts of ¥605 million, and a decrease in short-term loans payable of ¥482 million. Total non-current liabilities amounted to ¥4,218 million, an increase of ¥407 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in long-term loans payable of ¥460 million, and a decrease in deferred tax liabilities of ¥76 million. As a result, total liabilities amounted to ¥17,816 million, an increase of ¥384 million compared with the end of the previous fiscal year.

Net assets amounted to ¥48,716 million, an increase of ¥3,330 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in profit attributable to owners of parent of ¥5,068 million, and a decrease of ¥1,456 million due to dividends of surplus.

As a result, the equity-to-asset ratio was 72.7% (71.8% at the end of the previous fiscal year).

(ii) Analysis of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (decrease)
Net cash provided by (used in) operating activities	9,763	2,970	(6,793)
Net cash provided by (used in) investing activities	(2,149)	(802)	1,347
Net cash provided by (used in) financing activities	(856)	(1,308)	(451)
Cash and cash equivalents at end of period	19,864	20,642	778

Operating activities provided net cash of ¥2,970 million (compared with ¥9,763 million provided in the previous fiscal year).

Principal factors contributing to cash inflow were profit before income taxes of ¥7,532 million and an increase in notes and accounts payable - trade of ¥1,211 million. Principal factors contributing to cash outflow were an increase in notes and accounts receivable - trade of ¥3,928 million and the income taxes paid of ¥2,341 million.

Investing activities used net cash of ¥802 million (compared with ¥2,149 million used in the previous fiscal year).

The principal factor contributing to cash inflow was proceeds from withdrawal of time deposits of ¥469 million. The principal factors contributing to the cash outflow were payments into time deposits of ¥681 million, and purchase of property, plant and equipment of ¥433 million.

Financing activities used net cash of ¥1,308 million (compared with ¥856 million used in the previous fiscal year).

The principal factor contributing to cash outflow was cash dividends paid of ¥1,453 million.

As a result of the above, cash and cash equivalents at the end of the fiscal year amounted to ¥20,642 million, an increase of ¥778 million compared with the end of the previous fiscal year.

Trends in cash flows indicators are as follows:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity-to-asset ratio (%)	66.8	70.1	70.8	71.8	72.7
Market value equity-to-asset ratio (%)	64.6	45.7	57.0	59.7	58.6
Interest-bearing debt to cash flow ratio (Years)	0.2	0.8	2.8	0.1	0.3
Interest coverage ratio (Times)	391.2	121.4	43.3	1,298.4	173.8

Note: Equity-to-asset ratio: Shareholders' equity / Total assets

Market value equity-to-asset ratio: Total market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

* Each index was calculated by financial index on a consolidated basis.

* Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of issued shares (excluding treasury shares) at the end of the period.

* Interest-bearing debt refers to all debt posted on the consolidated balance sheet for which interest is paid.

* The figure for operating cash flow is "cash flows from operating activities" on the consolidated statement of cash flows.

* Regarding the interest expenses paid, we use "interest expenses paid" on the consolidated statement of cash flows

* If operating cash flow is negative for a period, interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for the period.

(3) Basic policy on profit distribution and dividends for the current and next periods

The Company recognizes that increasing earning power while maintaining a sound financial structure will lead to growth in corporate value. As a basic policy, the Company recognizes distribution of profits as the highest priority for management, and aims to achieve the higher of either 1) a stable dividend of ¥12 per share or 2) a dividend payout ratio of around 30% as a measure that corresponds to the Company performance.

While taking into consideration overall cash flows and capital efficiency, the Company has a policy to flexibly acquire own shares. With regard to the dividend for the fiscal year, the Company pays ¥30 per share (an interim dividend of ¥10 and a year-end dividend of ¥20).

With regard to the dividend payments for the next year, the Company plans to pay an annual dividend of ¥20 per share as per the above basic policy.

2. Basic Rationale for selecting the accounting standard

The Meisei Group have a policy to prepare the consolidated financial statements based on the generally accepted accounting standards in Japan (Japanese GAAP), giving consideration to the possibility of comparing the consolidated financial statements between terms and with other companies.

In the future, the Group has the policy to proceed with examining the adoption of the International Financial Reporting Standards (IFRS) while giving consideration to the trend of the foreign shareholder ratio and various circumstances.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	20,172	20,862
Notes receivable - trade	1,493	1,839
Electronically recorded monetary claims - operating	2,782	3,557
Accounts receivable from completed construction contracts	13,580	16,387
Securities	9	300
Costs on uncompleted construction contracts	1,503	1,347
Merchandise and finished goods	241	285
Raw materials and supplies	166	270
Other	1,135	275
Allowance for doubtful accounts	(24)	(86)
Total current assets	41,062	45,040
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,605	9,654
Machinery and vehicles	4,697	4,705
Land	11,160	11,160
Other	1,210	1,428
Accumulated depreciation	(11,427)	(11,676)
Total property, plant and equipment	15,247	15,272
Intangible assets	63	72
Investments and other assets		
Investment securities	3,747	3,335
Real estate for investment	2,190	2,145
Retirement benefit asset	—	10
Deferred tax assets	129	172
Other	412	519
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	6,443	6,146
Total non-current assets	21,755	21,492
Total assets	62,817	66,533

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes payable - trade	2,015	2,435
Electronically recorded obligations - operating	954	976
Accounts payable for construction contracts	3,219	3,764
Accounts payable - trade	486	740
Short-term loans payable	792	310
Income taxes payable	1,341	1,357
Advances received on uncompleted construction contracts	1,947	1,342
Provision for bonuses	432	474
Provision for directors' bonuses	88	80
Provision for warranties for completed construction	45	48
Other	2,299	2,068
Total current liabilities	13,621	13,598
Non-current liabilities		
Long-term loans payable	250	710
Retirement benefit liability	659	636
Provision for directors' retirement benefits	449	136
Provision for directors' stock payment	—	23
Deferred tax liabilities	1,888	1,811
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	63	399
Total non-current liabilities	3,810	4,218
Total liabilities	17,431	17,816
Net assets		
Shareholders' equity		
Capital stock	6,889	6,889
Capital surplus	1,018	1,166
Retained earnings	37,302	40,914
Treasury shares	(2,601)	(2,574)
Total shareholders' equity	42,608	46,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,070	732
Revaluation reserve for land	958	958
Foreign currency translation adjustment	443	355
Remeasurements of defined benefit plans	16	(43)
Total accumulated other comprehensive income	2,489	2,003
Share acquisition rights	8	1
Non-controlling interests	278	315
Total net assets	45,385	48,716
Total liabilities and net assets	62,817	66,533

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales of completed construction contracts	55,146	52,810
Cost of sales of completed construction contracts	44,364	40,962
Gross profit on completed construction contracts	10,782	11,848
Selling, general and administrative expenses	4,481	4,570
Operating profit	6,300	7,277
Non-operating income		
Interest income	37	74
Dividend income	91	96
Real estate rent	149	226
Gain on investments in partnership	57	56
Other	89	99
Total non-operating income	426	553
Non-operating expenses		
Interest expenses	7	17
Rent cost of real estate	84	141
Foreign exchange losses	81	11
Loss on retirement of non-current assets	23	34
Provision of allowance for doubtful accounts	—	61
Other	42	33
Total non-operating expenses	239	298
Ordinary profit	6,487	7,532
Profit before income taxes	6,487	7,532
Income taxes - current	2,126	2,369
Income taxes - deferred	(18)	56
Total income taxes	2,107	2,426
Profit	4,380	5,105
Profit attributable to non-controlling interests	22	36
Profit attributable to owners of parent	4,357	5,068

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	4,380	5,105
Other comprehensive income		
Valuation difference on available-for-sale securities	187	(338)
Foreign currency translation adjustment	105	(88)
Remeasurements of defined benefit plans, net of tax	22	(60)
Total other comprehensive income	315	(486)
Comprehensive income	4,695	4,618
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,673	4,582
Comprehensive income attributable to non-controlling interests	22	36

(3) Consolidated statements of changes in equity**Fiscal year ended March 31, 2018**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,889	1,002	33,774	(2,634)	39,031
Changes of items during period					
Dividends of surplus			(829)		(829)
Profit attributable to owners of parent			4,357		4,357
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		16		33	49
Net changes of items other than shareholders' equity					
Total changes of items during period	—	16	3,528	33	3,577
Balance at end of current period	6,889	1,018	37,302	(2,601)	42,608

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation on reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	883	958	338	(5)	2,174	12	255	41,473
Changes of items during period								
Dividends of surplus								(829)
Profit attributable to owners of parent								4,357
Purchase of treasury shares								(0)
Disposal of treasury shares								49
Net changes of items other than shareholders' equity	187	—	105	22	315	(3)	22	334
Total changes of items during period	187	—	105	22	315	(3)	22	3,912
Balance at end of current period	1,070	958	443	16	2,489	8	278	45,385

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,889	1,018	37,302	(2,601)	42,608
Changes of items during period					
Dividends of surplus			(1,456)		(1,456)
Profit attributable to owners of parent			5,068		5,068
Purchase of treasury shares				(132)	(132)
Disposal of treasury shares		148		159	308
Net changes of items other than shareholders' equity					
Total changes of items during period	—	148	3,611	27	3,787
Balance at end of current period	6,889	1,166	40,914	(2,574)	46,396

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation on reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,070	958	443	16	2,489	8	278	45,385
Changes of items during period								
Dividends of surplus								(1,456)
Profit attributable to owners of parent								5,068
Purchase of treasury shares								(132)
Disposal of treasury shares								308
Net changes of items other than shareholders' equity	(338)	—	(88)	(60)	(486)	(6)	36	(456)
Total changes of items during period	(338)	—	(88)	(60)	(486)	(6)	36	3,330
Balance at end of current period	732	958	355	(43)	2,003	1	315	48,716

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	6,487	7,532
Depreciation	558	473
Increase (decrease) in allowance for doubtful accounts	0	62
Increase (decrease) in provision for directors' retirement benefits	70	(313)
Increase (decrease) in provision for directors' stock payment	—	23
Increase (decrease) in other provision	(25)	36
Decrease (increase) in retirement benefit asset	—	(10)
Increase (decrease) in retirement benefit liability	(140)	(109)
Interest and dividend income	(129)	(171)
Interest expenses	7	17
Foreign exchange losses (gains)	15	31
Loss (gain) on valuation of investment securities	(41)	—
Decrease (increase) in notes and accounts receivable - trade	3,383	(3,928)
Decrease (increase) in costs on uncompleted construction contracts	773	156
Decrease (increase) in other inventories	38	(148)
Increase (decrease) in advances received on uncompleted construction contracts	1,305	(605)
Increase (decrease) in notes and accounts payable - trade	(1,355)	1,211
Other, net	437	904
Subtotal	11,386	5,161
Interest and dividend income received	128	168
Interest expenses paid	(7)	(17)
Income taxes paid	(1,743)	(2,341)
Net cash provided by (used in) operating activities	9,763	2,970
Cash flows from investing activities		
Payments into time deposits	(107)	(681)
Proceeds from withdrawal of time deposits	445	469
Purchase of investment securities	(39)	(150)
Proceeds from sales and redemption of investment securities	188	10
Purchase of property, plant and equipment	(718)	(433)
Payments for investments in real estates	(1,937)	(1)
Other, net	20	(15)
Net cash provided by (used in) investing activities	(2,149)	(802)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Proceeds from long-term loans payable	—	800
Repayments of long-term loans payable	(72)	(822)
Purchase of treasury shares	(0)	(132)
Proceeds from disposal of treasury shares	—	132
Proceeds from exercise of share options	45	169
Cash dividends paid	(827)	(1,453)
Other, net	(2)	(2)
Net cash provided by (used in) financing activities	(856)	(1,308)
Effect of exchange rate change on cash and cash equivalents	29	(81)
Net increase (decrease) in cash and cash equivalents	6,787	778
Cash and cash equivalents at beginning of period	13,077	19,864
Cash and cash equivalents at end of period	19,864	20,642

(5) Notes to consolidated financial statements**(Notes on premise of going concern)**

Not applicable.

(New accounting standards not yet applied)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued “Revenue from Contracts with Customers” in May 2014 (IASB’s IFRS 15 and FASB’s Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

The ASBJ guidance will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effects of application of the accounting standard

The impact of the application of the Accounting Standard and its guidance on the consolidated financial statements is currently under evaluation.

(Change in presentation of the financial statements)

Change in presentation of the financial statements in line with adoption of ASBJ Statement No. 28 “Partial Amendments to the Accounting Standard for Tax Effect Accounting”

The Group has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidance effective from the beginning of the first quarter of the fiscal year ended March 31, 2019. Due to this change, deferred tax assets (if any) are classified as and are presented under “Investments and other assets,” while deferred tax liabilities (if any) are classified as and are presented under “Non-current liabilities.”

As a result, deferred tax assets reported under “Current assets” decreased by ¥289 million, and deferred tax assets reported under “Investments and other assets” increased by ¥86 million. Moreover, deferred tax liabilities reported under “Non-current liabilities” decreased by ¥203 million.

In addition, the amounts in the financial statements are presented with the balance of deferred tax assets offset against the balance of deferred tax liabilities, as they are related to income taxes levied by the same taxation authority on the same taxable entity. Therefore, total asset decreased by ¥203 million as compared with the total before the change.

(Additional information)

(Transactions to offer the Company’s shares to Directors through trust)

The Company has introduced a stock compensation plan that makes use of a trust since the second quarter of the current fiscal year. This system was established for Directors of the Company (excluding Directors who are Audit & Supervisory Board Members and Directors who are Outside Directors; hereinafter the same) for the purpose of raising the Directors’ awareness of contributing to the improvement of performance and enhancement of corporate value for the medium and long term.

Accounting treatment of the trust is based on the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Outline of the transactions

The Company entrusts monies to a trust designated for this purpose (hereinafter the “Trust”), and the Trust acquires the Company’s shares. Then, when each Director retires, the Company’s shares are distributed to that Director in an amount that corresponds to the number of points allocated to the Director in accordance with the Stock Distribution Regulations decided by the Company’s Board of Directors.

(2) Company’s shares remaining in trust

The Company’s shares remaining in trust is recorded as treasury shares in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value and number of shares of the relevant treasury shares are ¥132 million and 160,000 shares as of March 31, 2019.

(Abolition of retirement benefit plan for officers)

The Company has resolved, at the 76th Annual General Meeting of Shareholders held on June 28, 2018, to carry out the final payment of retirement benefits in conjunction with the abolition of retirement benefit plan for officers.

As a result, a reversal was performed on the provision for directors’ retirement benefits and the amount payable following the final payment of retirement benefits has been included in “Other” under “Non-current liabilities.”

For some domestic consolidated subsidiaries, to prepare for the payment of retirement benefits to officers, the necessary allowance will continue to be recorded as the provision for directors’ retirement benefits, in accordance with internal rules.

(Segment information, etc.)

(a) Segment Information

1. Outline of the reportable segments

The Companies’ reportable segments are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments.

The Group comprises a Construction Business, which is centered on heat insulation construction work, and a Boiler Business engaged in the manufacture and installation of boilers.

Accordingly, the Group has two reportable segments, the Construction Business and Boiler Business.

2. Calculation methods used for sales, income, assets and the other items on each reportable segment

The amount of segment profit is based on operating profit. Inter-segment income and transfer are based on prevailing market prices.

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances from the beginning of the first quarter of the fiscal year ended March 31, 2019. Accordingly, the figures presented for the Segment assets for the previous fiscal year are those after retrospective application of the aforementioned accounting standard, etc.

3. Information on sales, income, assets and other items on each reportable segment

The fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Construction Business	Boiler Business	Total	Adjustment (Notes 1, 2 and 3)	Amounts on the consolidated financial statements (Note 4)
Net sales:					
Sales to third parties	50,779	4,366	55,146	—	55,146
Intersegment sales or transfers	44	216	260	(260)	—
Total	50,824	4,582	55,407	(260)	55,146
Segment profit	6,024	179	6,203	96	6,300
Segment assets	35,707	7,214	42,921	19,895	62,817
Other items:					
Depreciation and amortization	486	32	518	40	558
Increase in property, plant and equipment and intangible assets	384	8	393	39	432

Notes:

1. Adjustment for segment income represents eliminations of intersegment sales or transfers.
2. Adjustment for segment assets consists of negative ¥226 million of adjustment of intersegment transactions and ¥20,122 million of corporate assets, which are primarily surplus funds (cash and deposits) of the Company, long-term investment funds (investment securities and investments in capital), and headquarters buildings.
3. Adjustments for other items represent the amounts of adjustments related to corporate assets (headquarters buildings and others).
4. Segment profit is adjusted to be consistent with operating profit in the consolidated statements of income.

The fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Construction Business	Boiler Business	Total	Adjustment (Notes 1, 2 and 3)	Amounts on the consolidated financial statements (Note 4)
Net sales:					
Sales to third parties	46,351	6,459	52,810	—	52,810
Intersegment sales or transfers	67	182	250	(250)	—
Total	46,419	6,641	53,061	(250)	52,810
Segment profit	6,740	438	7,178	98	7,277
Segment assets	39,365	8,043	47,409	19,123	66,533
Other items:					
Depreciation and amortization	372	32	405	68	473
Increase in property, plant and equipment and intangible assets	392	48	441	35	476

Notes:

1. Adjustment for segment income represents eliminations of intersegment sales or transfers.
2. Adjustment for segment assets consists of negative ¥200 million of adjustment of intersegment transactions and ¥19,324 million of corporate assets, which are primarily surplus funds (cash and deposits) of the Company, long-term investment funds (investment securities and investments in capital), and headquarters buildings.
3. Adjustments for other items represent the amounts of adjustments related to corporate assets (headquarters buildings and others).
4. Segment profit is adjusted to be consistent with operating profit in the consolidated statements of income.

(b) Related information

The fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information regarding products and services

(Millions of yen)

	Construction Business	Boiler Business	Total
Sales to third parties	50,779	4,366	55,146

2. Geographical information

(1) Net sales

(Millions of yen)

Japan	Asia	Oceania	Other	Total
42,442	3,532	9,167	3	55,146

Note: Net sales are segmented by country or region based on construction site.

(2) Property, plant and equipment

This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Customer	Sales	Relative reportable segment
JKC AUSTRALIA LNG PTY LTD.	9,149	Construction Business

The fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information regarding products and services

(Millions of yen)

	Construction Business	Boiler Business	Total
Sales to third parties	46,351	6,459	52,810

2. Geographical information

(1) Net sales

(Millions of yen)

Japan	Asia	Oceania	Other	Total
48,536	2,583	1,614	76	52,810

Note: Net sales are segmented by country or region based on construction site.

(2) Property, plant and equipment

This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheets.

3. Information by major customer

As net sales to one particular customer did not amount to 10% or more of net sales in the consolidated statements of income, this information is omitted.

(c) Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Not applicable.

(d) Information on amortization of goodwill and unamortized goodwill balance by reportable segment

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Not applicable.

(e) Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Not applicable.

(Per share information)

(Yen)

	fiscal year ended March 31, 2018	fiscal year ended March 31, 2019
Net assets per share	868.82	927.08
Net income per share	84.04	97.41
Diluted Net income per share	83.90	97.36

Note: The basis for calculating net income per share and diluted net income per share are shown below.

(Millions of yen, unless otherwise noted)

	fiscal year ended March 31, 2018	fiscal year ended March 31, 2019
Net income per share		
Net income	4,357	5,068
Amount not attributable to common shareholders	—	—
Net income attributable to common shares	4,357	5,068
Average number of common shares during the period (Thousands of shares)	51,850	52,034
Diluted net income per share		
Adjustment to net income	—	—
Increased number of common shares (Thousands of shares)	89	24
Outline of potential common shares not included in calculation for the diluted net income per share because there were no effects of dilutive potential common shares	—	—

Note: In the calculation of basic earnings per share, the Company's shares held by a trust established to distribute shares to officers (Officers' Share Distribution Trust) are included in treasury shares, which is deducted, however, in calculating the average number of shares during the fiscal year under review. (160,000 shares as of the end of the fiscal year under review)

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

Segment	fiscal year ended March 31, 2018		fiscal year ended March 31, 2019		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	48,339	90.0	49,418	88.0	1,079	2.2
Boiler Business	5,348	10.0	6,746	12.0	1,398	26.1
Total	53,687	100.0	56,165	100.0	2,477	4.6

(2) Net sales

Segment	fiscal year ended March 31, 2018		fiscal year ended March 31, 2019		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	50,779	92.1	46,351	87.8	(4,428)	(8.7)
Boiler Business	4,366	7.9	6,459	12.2	2,092	47.9
Total	55,146	100.0	52,810	100.0	(2,335)	(4.2)

(3) Balance of orders

Segment	fiscal year ended March 31, 2018		fiscal year ended March 31, 2019		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	12,228	64.4	15,296	68.4	3,067	25.1
Boiler Business	6,774	35.6	7,061	31.6	287	4.2
Total	19,003	100.0	22,357	100.0	3,354	17.7

(Significant events after the reporting period)

Not applicable.