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ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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October 31, 2019

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

Company name: **MEISEI INDUSTRIAL CO., LTD.**
Listing: First Section of Tokyo Securities Exchange
Securities code: 1976
URL: <http://www.meisei-kogyo.co.jp/en/index.html>
Representative: Toshiteru Otani, President and Representative Director
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Scheduled date to file quarterly securities report: November 12, 2019
Scheduled date to commence dividend payments: November 22, 2019
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, 2020 (from April 1, 2019 to September 30, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	24,032	(4.4)	2,695	(17.2)	2,867	(18.6)	1,944	(18.3)
September 30, 2018	25,144	(1.4)	3,255	36.5	3,521	38.3	2,379	45.4

Note: Comprehensive income

Six months ended September 30, 2019: ¥1,814 million [(27.2)%]
Six months ended September 30, 2018: ¥2,490 million [39.4%]

	Basic net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2019	37.33	—
September 30, 2018	45.80	45.75

(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, 2019	64,729	49,107	75.4	943.70
March 31, 2019	66,533	48,716	72.7	927.08

Reference: Shareholders' equity

As of September 30, 2019: ¥48,784 million
As of March 31, 2019: ¥48,399 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, 2019	Yen –	Yen 10.00	Yen –	Yen 20.00	Yen 30.00
Fiscal year ending March 31, 2020	–	10.00			
Fiscal year ending March 31, 2020 (Forecast)			–	10.00	20.00

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

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
Fiscal year ending March 31, 2020	53,000	0.4	5,200	(28.5)	5,350	(29.0)	3,500	(30.9)	67.04

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

* Notes

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

- (4) Number of issued shares (common shares)

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

As of September 30, 2019	59,386,718 shares
As of March 31, 2019	59,386,718 shares

- b. Number of treasury shares at end of period

As of September 30, 2019	7,692,243 shares
As of March 31, 2019	7,179,817 shares

- c. Average number of outstanding shares during period

Six months ended September 30, 2019	52,087,804 shares
Six months ended September 30, 2018	51,960,393 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.

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1. Qualitative Information Regarding Results for the First Six Months

(1) Explanation of operating results

During the six months ended September 30, 2019, while the Japanese economy maintained a trend of gradual recovery supported by domestic demand, there was a heightened sense of uncertainty regarding the economic outlook and an increased threat of economic decline as a result of the increasing cost burden due to the labor shortage, the impact of natural disasters, etc., in addition to a sluggish global economy against the backdrop of trade friction between the United States and China, and unstable factors such as a decrease in exports.

Under these economic conditions, the Meisei Group recorded total construction orders received for the six months ended September 30, 2019 of ¥22,780 million (a year-on-year decrease of 27.1%), reflecting factors such as a decline in orders for large projects in Japan and overseas. The Group recorded net sales of ¥24,032 million (a year-on-year decrease of 4.4%), reflecting the completion of long-term, large-scale projects during the previous fiscal year, despite steady progress in maintenance-related projects and the delivery of boilers.

Additionally, in terms of profit, in line with the decrease in net sales, operating profit totaled ¥2,695 million (a year-on-year decrease of 17.2%), ordinary profit amounted to ¥2,867 million (a year-on-year decrease of 18.6%) and profit attributable to owners of parent totaled ¥1,944 million (a year-on-year decrease of 18.3%).

Results by segment are as follows.

(i) Construction Business

Net sales in the Construction Business totaled ¥20,443 million (a year-on-year decrease of 8.2%), reflecting the completion of long-term, large-scale LNG-related projects in Japan and overseas during the previous fiscal year, despite solid progress in maintenance-related and other projects in Japan. In line with the decrease in net sales, segment profit amounted to ¥2,411 million (a year-on-year decrease of 20.5%).

(ii) Boiler Business

Net sales in the Boiler Business totaled ¥3,588 million (a year-on-year increase of 24.9%), reflecting steady progress in the delivery of boilers. Segment profit amounted to ¥278 million (a year-on-year increase of 53.9%).

(2) Explanation of financial position

Assets

Total current assets as of September 30, 2019 amounted to ¥43,509 million, a decrease of ¥1,531 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in cash and deposits of ¥2,885 million, an increase in costs on uncompleted construction contracts of ¥940 million, and a decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥5,560 million. Total non-current assets amounted to ¥21,220 million, a decrease of ¥271 million compared with the end of the previous fiscal year. Principal contributory factors included a decrease in investment securities of ¥222 million, and a decrease in deferred tax assets of ¥43 million.

As a result, total assets amounted to ¥64,729 million, a decrease of ¥1,803 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of September 30, 2019 amounted to ¥11,869 million, a decrease of ¥1,728 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in short-term loans payable of ¥430 million, a decrease in notes payable, accounts payable for construction contracts and other of ¥755 million, a decrease in income taxes payable of ¥495 million, and a decrease in advances received on uncompleted construction contracts of ¥358 million. Total non-current liabilities amounted to ¥3,753 million, a decrease of ¥464 million compared with the end of the previous fiscal year. Principal contributory factors included a decrease in long-term loans payable of ¥460 million.

As a result, total liabilities amounted to ¥15,622 million, a decrease of ¥2,193 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of September 30, 2019 amounted to ¥49,107 million, an increase of ¥390 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in profit attributable to owners of parent of ¥1,944 million, and a decrease of ¥1,047 million due to dividends of surplus.

As a result, the equity-to-asset ratio was 75.4% (72.7% at the end of the previous fiscal year).

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

The consolidated earnings forecasts (net sales, operating profit, ordinary profit, and profit attributable to owners of parent) are unchanged from the forecasts for the fiscal year ending March 31, 2020 announced in the financial results report released on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	20,862	23,748
Notes receivable, accounts receivable from completed construction contracts and other	21,785	16,224
Securities	300	300
Costs on uncompleted construction contracts	1,347	2,287
Merchandise and finished goods	285	203
Raw materials and supplies	270	323
Other	275	466
Allowance for doubtful accounts	(86)	(45)
Total current assets	45,040	43,509
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,654	9,857
Machinery and vehicles	4,705	4,734
Land	11,160	11,160
Other	1,428	1,305
Accumulated depreciation	(11,676)	(11,789)
Total property, plant and equipment	15,272	15,268
Intangible assets	72	69
Investments and other assets		
Investment securities	3,335	3,113
Real estate for investment	2,145	2,122
Retirement benefit asset	10	27
Deferred tax assets	172	129
Other	519	527
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	6,146	5,883
Total non-current assets	21,492	21,220
Total assets	66,533	64,729

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	7,175	6,420
Accounts payable - trade	740	876
Short-term loans payable	310	740
Income taxes payable	1,357	862
Advances received on uncompleted construction contracts	1,342	983
Provision for bonuses	474	433
Provision for directors' bonuses	80	—
Provision for warranties for completed construction	48	50
Provision for loss on construction contracts	—	1
Other	2,068	1,501
Total current liabilities	13,598	11,869
Non-current liabilities		
Long-term loans payable	710	250
Net defined benefit liability	636	593
Provision for directors' retirement benefits	136	136
Provision for directors' stock payment	23	32
Deferred tax liabilities	1,811	1,808
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	399	432
Total non-current liabilities	4,218	3,753
Total liabilities	17,816	15,622
Net assets		
Shareholders' equity		
Capital stock	6,889	6,889
Capital surplus	1,166	1,179
Retained earnings	40,914	41,811
Treasury shares	(2,574)	(2,962)
Total shareholders' equity	46,396	46,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732	639
Revaluation reserve for land	958	958
Foreign currency translation adjustment	355	308
Remeasurements of defined benefit plans	(43)	(40)
Total accumulated other comprehensive income	2,003	1,865
Share acquisition rights	1	—
Non-controlling interests	315	323
Total net assets	48,716	49,107
Total liabilities and net assets	66,533	64,729

(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, 2018	Six months ended September 30, 2019
Net sales of completed construction contracts	25,144	24,032
Cost of sales of completed construction contracts	19,683	19,116
Gross profit on completed construction contracts	5,460	4,915
Selling, general and administrative expenses	2,204	2,220
Operating profit	3,255	2,695
Non-operating income		
Interest income	47	26
Dividend income	76	76
Real estate rent	112	122
Foreign exchange gains	41	—
Other	69	96
Total non-operating income	348	321
Non-operating expenses		
Interest expenses	7	2
Rent cost of real estate	68	74
Foreign exchange losses	—	19
Other	6	53
Total non-operating expenses	82	150
Ordinary profit	3,521	2,867
Profit before income taxes	3,521	2,867
Income taxes - current	1,077	834
Income taxes - deferred	43	80
Total income taxes	1,120	915
Profit	2,401	1,952
Profit attributable to non-controlling interests	21	7
Profit attributable to owners of parent	2,379	1,944

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	2,401	1,952
Other comprehensive income		
Valuation difference on available-for-sale securities	159	(93)
Foreign currency translation adjustment	(75)	(47)
Remeasurements of defined benefit plans, net of tax	5	2
Total other comprehensive income	89	(138)
Comprehensive income	2,490	1,814
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,469	1,806
Comprehensive income attributable to non-controlling interests	21	7

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	3,521	2,867
Depreciation	228	223
Increase (decrease) in allowance for doubtful accounts	40	(40)
Increase (decrease) in provision for loss on construction contracts	3	1
Increase (decrease) in provision for directors' retirement benefits	(321)	0
Increase (decrease) in provision for directors' stock payment	7	8
Increase (decrease) in other provision	(111)	(119)
Decrease (increase) in retirement benefit asset	—	(16)
Increase (decrease) in net defined benefit liability	(61)	(39)
Interest and dividend income	(124)	(102)
Interest expenses	7	2
Foreign exchange losses (gains)	(30)	20
Decrease (increase) in notes and accounts receivable - trade	(1,497)	5,560
Decrease (increase) in costs on uncompleted construction contracts	(897)	(940)
Decrease (increase) in inventories	23	29
Increase (decrease) in advances received on uncompleted construction contracts	34	(358)
Increase (decrease) in notes and accounts payable - trade	579	(610)
Other, net	388	(826)
Subtotal	1,790	5,658
Interest and dividend income received	103	104
Interest expenses paid	(7)	(2)
Income taxes paid	(1,228)	(1,256)
Net cash provided by (used in) operating activities	658	4,504

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from investing activities		
Payments into time deposits	(246)	(239)
Proceeds from withdrawal of time deposits	84	209
Purchase of investment securities	(45)	(5)
Proceeds from sales and redemption of investment securities	10	100
Purchase of property, plant and equipment	(244)	(266)
Other, net	59	32
Net cash provided by (used in) investing activities	(381)	(169)
Cash flows from financing activities		
Proceeds from long-term loans payable	800	250
Repayments of long-term loans payable	(792)	(280)
Purchase of treasury shares	(132)	(411)
Proceeds from disposal of treasury shares	132	6
Proceeds from exercise of share options	100	29
Cash dividends paid	(931)	(1,045)
Other, net	(1)	14
Net cash provided by (used in) financing activities	(824)	(1,436)
Effect of exchange rate change on cash and cash equivalents	(21)	(41)
Net increase (decrease) in cash and cash equivalents	(568)	2,856
Cash and cash equivalents at beginning of period	19,864	20,642
Cash and cash equivalents at end of period	19,296	23,499

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information, etc.**<Segment Information>****I. Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)**

Information on sales and income on each reportable segment

	Construction	Boiler	Total	Adjustment (Note 1)	(Millions of yen) Amounts on the consolidated statement of income (Note 2)
Net sales:					
(1) Sales to third parties	22,271	2,872	25,144	—	25,144
(2) Intersegment sales or transfers	22	77	100	(100)	—
Total	22,294	2,949	25,244	(100)	25,144
Segment profit	3,031	181	3,213	42	3,255

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, 2019 (from April 1, 2019 to September 30, 2019)

Information on sales and income on each reportable segment

	Construction	Boiler	Total	Adjustment (Note 1)	(Millions of yen) 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.

3. Supplementary Information

Status of orders received, sales and balance of orders

a. Orders received

Segment	Six months ended September 30, 2018		Six months ended September 30, 2019		Increase (decrease)	Fiscal year ended March 31, 2019	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	26,724	85.6	20,581	90.3	(6,142)	49,418	88.0
Boiler	4,511	14.4	2,198	9.7	(2,312)	6,746	12.0
Total	31,235	100.0	22,780	100.0	(8,454)	56,165	100.0

b. Net sales

Segment	Six months ended September 30, 2018		Six months ended September 30, 2019		Increase (decrease)	Fiscal year ended March 31, 2019	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	22,271	88.6	20,443	85.1	(1,828)	46,351	87.8
Boiler	2,872	11.4	3,588	14.9	716	6,459	12.2
Total	25,144	100.0	24,032	100.0	(1,112)	52,810	100.0

c. Balance of orders

Segment	Six months ended September 30, 2018		Six months ended September 30, 2019		Increase (decrease)	Fiscal year ended March 31, 2019	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Construction	16,681	66.5	15,434	73.1	(1,246)	15,296	68.4
Boiler	8,413	33.5	5,671	26.9	(2,741)	7,061	31.6
Total	25,094	100.0	21,106	100.0	(3,988)	22,357	100.0