

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 <under Japanese GAAP>



May 8, 2020

Company name: **MEISEI INDUSTRIAL CO., LTD.**
 Listing: First Section of Tokyo Securities Exchange
 Securities code: 1976
 URL: <https://www.meisei-kogyo.co.jp/en/ir/report/index.html>
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Scheduled date of annual general meeting of shareholders: June 25, 2020
 Scheduled date to commence dividend payments: June 26, 2020
 Scheduled date to file annual securities report: June 26, 2020
 Preparation of supplementary results briefing material on financial results: Yes
 Holding of financial results presentation meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	53,073	0.5	6,442	(11.5)	6,996	(7.1)	4,709	(7.1)
March 31, 2019	52,810	(4.2)	7,277	15.5	7,532	16.1	5,068	16.3

Note: Comprehensive income

For the fiscal year ended March 31, 2020: ¥4,398 million [(4.8) %]
 For the fiscal year ended March 31, 2019: ¥4,618 million [(1.6) %]

	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, 2020	91.00	—	9.5	10.5	12.1
March 31, 2019	97.41	97.36	10.8	11.6	13.8

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

For the fiscal year ended March 31, 2020: —
 For the fiscal year ended March 31, 2019: —

(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, 2020	66,324	50,783	76.0	983.89
March 31, 2019	66,533	48,716	72.7	927.08

Reference: Shareholders' equity

As of March 31, 2020: ¥50,439 million
 As of March 31, 2019: ¥48,399 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, 2020	915	200	(2,376)	19,381
March 31, 2019	2,970	(802)	(1,308)	20,642

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, 2019	–	10.00	–	20.00	30.00	1,569	30.8	3.3
March 31, 2020	–	10.00	–	20.00	30.00	1,546	33.0	3.1
Fiscal year ending March 31, 2021 (Forecast)	–	10.00	–	12.00	22.00		28.6	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	26,000	8.2	2,800	3.9	2,900	1.1	2,000	2.9	39.01
Fiscal year ending March 31, 2021	55,000	3.6	5,600	(13.1)	5,750	(17.8)	3,950	(16.1)	77.05

* 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, 2020	59,386,718 shares
As of March 31, 2019	59,386,718 shares

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

As of March 31, 2020	8,121,256 shares
As of March 31, 2019	7,179,817 shares

- c. Average number of outstanding shares during the period

For the fiscal year ended March 31, 2020	51,754,169 shares
For the fiscal year ended March 31, 2019	52,034,179 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 17 “Per share information” under “3. Consolidated Financial Statements and Key Notes (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, 2020**
(from April 1, 2019 to March 31, 2020)**(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, 2020	37,470	(1.3)	4,831	(13.6)	5,758	(3.0)	4,027	0.4
March 31, 2019	37,965	(10.9)	5,593	0.2	5,939	(2.8)	4,012	(3.5)

	Basic net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2020	77.83	—
March 31, 2019	77.11	77.08

(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, 2020	48,493	39,095	80.6	762.61
March 31, 2019	47,988	37,680	78.5	721.72

Reference: Shareholders' equity

As of March 31, 2020: ¥39,095 million

As of March 31, 2019: ¥37,678 million

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021
(from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	18,000	5.6	1,950	0.5	2,300	(6.9)	1,500	(16.7)	29.26
Fiscal year ending March 31, 2021	40,000	6.8	4,600	(4.8)	5,300	(8.0)	3,600	(10.6)	70.22

* 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.

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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, 2020 (fiscal 2019)

During the fiscal year ended March 31, 2020, while the Japanese economy maintained a trend of gradual recovery supported by domestic demand, exports and manufacturing stagnated as a result of trade friction between the United States and China, and the impact of natural disasters, etc.

In addition, economic activity has been suppressed due to the worsening impact of novel coronavirus disease (COVID-19) at the end of the financial year, and global economic conditions are increasingly unstable.

Regarding the economic outlook, while the impact of the spread of COVID-19 remains uncertain, there are concerns about a further slowdown in economic conditions due to a sense of uncertainty around changes in the overseas situation and other factors such as increases in the cost burden because of labor shortages, rising transportation charges, etc.

Under these economic conditions, the Meisei Group recorded total construction orders received for the fiscal year ended March 31, 2020 of ¥47,499 million (a year-on-year decrease of 15.4%), reflecting factors such as a decline in orders for large projects in Japan and overseas. However, the Group recorded net sales of ¥53,073 million (a year-on-year increase of 0.5%), reflecting steady progress in the delivery of boilers and projects such as Thermal Insulation Work at a freezer.

Additionally, in terms of profit, reflecting factors such as cost increases due to labor shortages, operating profit totaled ¥6,442 million (a year-on-year decrease of 11.5%), ordinary profit amounted to ¥6,996 million (a year-on-year decrease of 7.1%) and profit attributable to owners of parent totaled ¥4,709 million (a year-on-year decrease of 7.1%).

(ii) Overview of the performance by business segment

Construction Business

Net sales in the Construction Business totaled ¥45,475 million (a year-on-year decrease of 1.9%), reflecting the completion of long-term, large-scale LNG-related projects in Japan and overseas during the previous fiscal year, despite solid progress in Thermal Insulation Work at a freezer along with maintenance-related and other projects in Japan. In line with the decrease in net sales and the impact of factors such as cost increases due to labor shortages, segment profit amounted to ¥5,828 million (a year-on-year decrease of 13.5%).

Boiler Business

Net sales in the Boiler Business totaled ¥7,597 million (a year-on-year increase of 17.6%), reflecting steady progress in the delivery of boilers. Segment profit amounted to ¥604 million (a year-on-year increase of 37.8%).

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

With regard to forecasts, amid many uncertainties that could have an effect on the Japanese and global economies, the impact of the spread of COVID-19 cannot be foreseen, and it is expected that the situation will continue to remain unclear. Also, in the Company's business environment, it is now necessary to actively monitor the possible impact of the spread of COVID-19, such as changes in labor conditions, difficulties in purchasing, and the suspension and postponement of business activities.

At present, with regard to its consolidated earnings performance for the fiscal year ending March 31, 2021, the Group is forecasting net sales of ¥55,000 million, operating profit of ¥5,600 million, ordinary profit of ¥5,750 million and profit attributable to owners of parent of ¥3,950 million. Additionally, with regard to non-consolidated earnings performance for the fiscal year ending March 31, 2021, the Company is forecasting net sales of ¥40,000 million, operating profit of ¥4,600 million, ordinary profit of ¥5,300 million and profit of ¥3,600 million. The impact of the spread of COVID-19 cannot be reasonably forecast and hence is not incorporated in the above earnings outlook. If revisions to the outlook become necessary, the Company will announce them promptly.

(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, 2020, amounted to ¥66,324 million, a decrease of ¥208 million compared with the end of the previous fiscal year.

Total current assets amounted to ¥45,218 million, an increase of ¥177 million compared with the end of the previous fiscal year. Principal contributory factors included an increase in accounts receivable from complete construction contracts of ¥2,476 million, a decrease in cash and deposits of ¥1,471 million, and a decrease in electronically recorded monetary claims - operating of ¥833 million. Total non-current assets amounted to ¥21,106 million, a decrease of ¥385 million compared with the end of the previous fiscal year.

Principal contributory factors included an increase in deferred tax assets of ¥66 million, an increase in property, plant and equipment of ¥60 million, and a decrease in investment securities of ¥486 million.

Total current liabilities amounted to ¥11,747 million, a decrease of ¥1,850 million compared with the end of the previous fiscal year. Principal contributory factors included a decrease in advances received on construction contracts in progress of ¥1,216 million, and a decrease in income taxes payable of ¥298 million. Total non-current liabilities amounted to ¥3,793 million, a decrease of ¥424 million compared with the end of the previous fiscal year. Principal contributory factor was a decrease in long-term loans payable of ¥460 million. As a result, total liabilities amounted to ¥15,540 million, an increase of ¥2,275 million compared with the end of the previous fiscal year.

Net assets amounted to ¥50,783 million, an increase of ¥2,067 million compared with the end of the previous fiscal year. Principal contributory factors were an increase in profit attributable to owners of parent of ¥4,709 million, a decrease of ¥1,565 million due to dividends of surplus, and a decrease of ¥800 million due to purchase of treasury shares.

As a result, the equity-to-asset ratio was 76.0% (72.7% at the end of the previous fiscal year).

(ii) Analysis of cash flows

	(Millions of yen)		
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Increase (decrease)
Net cash provided by (used in) operating activities	2,970	915	(2,055)
Net cash provided by (used in) investing activities	(802)	200	1,003
Net cash provided by (used in) financing activities	(1,308)	(2,376)	(1,067)
Cash and cash equivalents at end of period	20,642	19,381	(1,261)

Operating activities provided net cash of ¥915 million (compared with ¥2,970 million provided in the previous fiscal year).

The principal factor contributing to cash inflow was profit before income taxes of ¥6,996 million. The principal factors contributing to cash outflow were income taxes paid of ¥2,469 million and a decrease in advances received on construction contracts in progress of ¥1,216 million.

Investing activities used net cash of ¥200 million (compared with ¥802 million used in the previous fiscal year).

The principal factor contributing to cash inflow was proceeds from withdrawal of time deposits of ¥763 million. The principal factor contributing to cash outflow was payments into time deposits of ¥550 million.

Financing activities used net cash of ¥2,376 million (compared with ¥1,308 million used in the previous fiscal year).

The principal factors contributing to cash outflow were cash dividends paid of ¥1,563 million and purchase of treasury shares of ¥800 million.

As a result of the above, cash and cash equivalents at the end of the fiscal year amounted to ¥19,381 million, a decrease of ¥1,261 million compared with the end of the previous fiscal year.

Trends in cash flows indicators are as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Equity-to-asset ratio (%)	70.1	70.8	71.8	72.7	76.0
Market value equity-to-asset ratio (%)	45.7	57.0	59.7	58.6	56.7
Interest-bearing debt to cash flow ratio (Years)	0.8	2.8	0.1	0.3	1.0
Interest coverage ratio (Times)	121.4	43.3	1,298.4	173.8	164.1

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 ¥22 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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	20,862	19,391
Notes receivable - trade	1,839	1,351
Electronically recorded monetary claims - operating	3,557	2,724
Accounts receivable from completed construction contracts	16,387	18,864
Securities	300	300
Costs on construction contracts in progress	1,347	1,602
Merchandise and finished goods	285	230
Raw materials and supplies	270	444
Other	275	359
Allowance for doubtful accounts	(86)	(50)
Total current assets	45,040	45,218
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,654	9,967
Machinery and vehicles	4,705	4,780
Land	11,160	11,160
Other	1,428	1,384
Accumulated depreciation	(11,676)	(11,959)
Total property, plant and equipment	15,272	15,333
Intangible assets	72	67
Investments and other assets		
Investment securities	3,335	2,849
Investment property	2,145	2,099
Retirement benefit asset	10	24
Deferred tax assets	172	239
Other	519	530
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	6,146	5,705
Total non-current assets	21,492	21,106
Total assets	66,533	66,324

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes payable - trade	2,435	2,630
Electronically recorded obligations - operating	976	960
Accounts payable for construction contracts	3,764	3,879
Accounts payable - trade	740	554
Short-term loans payable	310	710
Income taxes payable	1,357	1,059
Advances received on construction contracts in progress	1,342	125
Provision for bonuses	474	434
Provision for directors' bonuses (and other officers)	80	83
Provision for warranties for completed construction	48	29
Provision for loss on construction contracts	—	6
Other	2,068	1,273
Total current liabilities	13,598	11,747
Non-current liabilities		
Long-term borrowings	710	250
Retirement benefit liability	636	631
Provision for retirement benefits for directors (and other officers)	136	145
Provision for share-based remuneration for directors (and other officers)	23	46
Deferred tax liabilities	1,811	1,808
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	399	411
Total non-current liabilities	4,218	3,793
Total liabilities	17,816	15,540
Net assets		
Shareholders' equity		
Share capital	6,889	6,889
Capital surplus	1,166	1,179
Retained earnings	40,914	44,058
Treasury shares	(2,574)	(3,350)
Total shareholders' equity	46,396	48,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732	440
Revaluation reserve for land	958	958
Foreign currency translation adjustment	355	352
Remeasurements of defined benefit plans	(43)	(88)
Total accumulated other comprehensive income	2,003	1,662
Share acquisition rights	1	—
Non-controlling interests	315	344
Total net assets	48,716	50,783
Total liabilities and net assets	66,533	66,324

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales of completed construction contracts	52,810	53,073
Cost of sales of completed construction contracts	40,962	42,016
Gross profit on completed construction contracts	11,848	11,057
Selling, general and administrative expenses	4,570	4,614
Operating profit	7,277	6,442
Non-operating income		
Interest income	74	51
Dividend income	96	95
Rental income from real estate	226	247
Foreign exchange gains	—	1
Gain on investments in partnership	56	161
Reversal of allowance for doubtful accounts	—	51
Other	99	99
Total non-operating income	553	553
Non-operating expenses		
Interest expenses	17	5
Rent cost of real estate	141	146
Foreign exchange losses	11	—
Loss on retirement of non-current assets	34	20
Provision of allowance for doubtful accounts	61	—
Other	33	64
Total non-operating expenses	298	236
Ordinary profit	7,532	6,996
Profit before income taxes	7,532	6,996
Income taxes - current	2,369	2,178
Income taxes - deferred	56	78
Total income taxes	2,426	2,257
Profit	5,105	4,738
Profit attributable to non-controlling interests	36	28
Profit attributable to owners of parent	5,068	4,709

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	5,105	4,738
Other comprehensive income		
Valuation difference on available-for-sale securities	(338)	(292)
Foreign currency translation adjustment	(88)	(3)
Remeasurements of defined benefit plans, net of tax	(60)	(45)
Total other comprehensive income	(486)	(340)
Comprehensive income	4,618	4,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,582	4,369
Comprehensive income attributable to non-controlling interests	36	28

(3) Consolidated statements of changes in equity**Fiscal year ended March 31, 2019**

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,889	1,018	37,302	(2,601)	42,608
Changes 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 during period	—	148	3,611	27	3,787
Balance at end of 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 period	1,070	958	443	16	2,489	8	278	45,385
Changes 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 during period	(338)	—	(88)	(60)	(486)	(6)	36	3,330
Balance at end of period	732	958	355	(43)	2,003	1	315	48,716

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,889	1,166	40,914	(2,574)	46,396
Changes during period					
Dividends of surplus			(1,565)		(1,565)
Profit attributable to owners of parent			4,709		4,709
Purchase of treasury shares				(800)	(800)
Disposal of treasury shares		12		23	36
Net changes of items other than shareholders' equity					
Total changes during period	—	12	3,144	(776)	2,380
Balance at end of period	6,889	1,179	44,058	(3,350)	48,776

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Changes during period	732	958	355	(43)	2,003	1	315	48,716
Changes of items during period								
Dividends of surplus								(1,565)
Profit attributable to owners of parent								4,709
Purchase of treasury shares								(800)
Disposal of treasury shares								36
Net changes of items other than shareholders' equity	(292)	—	(3)	(45)	(340)	(1)	28	(313)
Total changes during period	(292)	—	(3)	(45)	(340)	(1)	28	2,067
Balance at end of period	440	958	352	(88)	1,662	—	344	50,783

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	7,532	6,996
Depreciation	473	481
Increase (decrease) in allowance for doubtful accounts	62	(36)
Increase (decrease) in provision for loss on construction contracts	—	6
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(313)	9
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	23	22
Increase (decrease) in other provisions	36	(55)
Decrease (increase) in retirement benefit asset	(10)	(13)
Increase (decrease) in retirement benefit liability	(109)	(70)
Interest and dividend income	(171)	(147)
Interest expenses	17	5
Foreign exchange losses (gains)	31	13
Loss (gain) on valuation of investment securities	—	4
Decrease (increase) in trade receivables	(3,928)	(1,155)
Decrease (increase) in costs on construction contracts in progress	156	(255)
Decrease (increase) in other inventories	(148)	(118)
Increase (decrease) in advances received on construction contracts in progress	(605)	(1,216)
Increase (decrease) in trade payables	1,211	119
Other, net	904	(1,350)
Subtotal	5,161	3,240
Interest and dividends received	168	150
Interest paid	(17)	(5)
Income taxes paid	(2,341)	(2,469)
Net cash provided by (used in) operating activities	2,970	915
Cash flows from investing activities		
Payments into time deposits	(681)	(550)
Proceeds from withdrawal of time deposits	469	763
Purchase of investment securities	(150)	(117)
Proceeds from sales and redemption of investment securities	10	100
Purchase of property, plant and equipment	(433)	(511)
Proceeds from distributions from investment partnerships	129	223
Other, net	(145)	294
Net cash provided by (used in) investing activities	(802)	200

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	800	250
Repayments of long-term borrowings	(822)	(310)
Purchase of treasury shares	(132)	(800)
Proceeds from disposal of treasury shares	132	6
Proceeds from exercise of employee share options	169	29
Dividends paid	(1,453)	(1,563)
Other, net	(2)	12
Net cash provided by (used in) financing activities	(1,308)	(2,376)
Effect of exchange rate change on cash and cash equivalents	(81)	(2)
Net increase (decrease) in cash and cash equivalents	778	(1,261)
Cash and cash equivalents at beginning of period	19,864	20,642
Cash and cash equivalents at end of period	20,642	19,381

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(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.

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

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.

The fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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	45,475	7,597	53,073	—	53,073
Intersegment sales or transfers	78	186	265	(265)	—
Total	45,554	7,784	53,339	(265)	53,073
Segment profit	5,828	604	6,432	10	6,442
Segment assets	40,991	7,447	48,438	17,885	66,324
Other items:					
Depreciation and amortization	370	40	410	70	481
Increase in property, plant and equipment and intangible assets	436	66	503	4	507

Notes:

1. Adjustment for segment income represents eliminations of intersegment sales or transfers.
2. Adjustment for segment assets consists of negative ¥280 million of adjustment of intersegment transactions and ¥18,165 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, 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.

The fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information regarding products and services

(Millions of yen)

	Construction Business	Boiler Business	Total
Sales to third parties	45,475	7,597	53,073

2. Geographical information

(1) Net sales

(Millions of yen)

Japan	Asia	Oceania	Other	Total
49,078	3,958	—	35	53,073

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, 2019 (from April 1, 2018 to March 31, 2019)
Not applicable.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Not applicable.

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

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Not applicable.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Not applicable.

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

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Not applicable.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Not applicable.

(Per share information)

(Yen)

	fiscal year ended March 31, 2019	fiscal year ended March 31, 2020
Net assets per share	927.08	983.89
Net income per share	97.41	91.00
Diluted Net income per share	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, 2019	fiscal year ended March 31, 2020
Net income per share		
Net income	5,068	4,709
Amount not attributable to common shareholders	—	—
Net income attributable to common shares	5,068	4,709
Average number of common shares during the period (Thousands of shares)	52,034	51,754
Diluted net income per share		
Adjustment to net income	—	—
Increased number of common shares (Thousands of shares)	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	—	—

Notes:

1. In the calculation of “Net assets per share,” the Company’s shares held by the trust established to distribute shares to officers (Officers’ Share Distribution Trust) are included in treasury shares, which is deducted from the total number of shares issued at the end of the period (160 thousand shares in the previous fiscal year, and 152 thousand shares in the current fiscal year).

In the calculation of “Net income per share” and “Diluted net income per share,” the Company’s shares held by the trust are included in treasury shares, which is deducted in calculating the average number of common shares during the period (160 thousand shares in the previous fiscal year, and 155 thousand shares in the current fiscal year).

2. Diluted net income per share is not shown as there are no residual shares that could potentially dilute net income per share in the current fiscal year.

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

Segment	fiscal year ended March 31, 2019		fiscal year ended March 31, 2020		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	49,418	88.0	43,528	91.6	(5,890)	(11.9)
Boiler Business	6,746	12.0	3,971	8.4	(2,775)	(41.1)
Total	56,165	100.0	47,499	100.0	(8,665)	(15.4)

(2) Net sales

Segment	fiscal year ended March 31, 2019		fiscal year ended March 31, 2020		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	46,351	87.8	45,475	85.7	(875)	(1.9)
Boiler Business	6,459	12.2	7,597	14.3	1,138	17.6
Total	52,810	100.0	53,073	100.0	262	0.5

(3) Balance of orders

Segment	fiscal year ended March 31, 2019		fiscal year ended March 31, 2020		Increase (decrease)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Construction Business	15,296	68.4	13,348	79.5	(1,947)	(12.7)
Boiler Business	7,061	31.6	3,435	20.5	(3,626)	(51.4)
Total	22,357	100.0	16,783	100.0	(5,574)	(24.9)

(Significant events after the reporting period)

Not applicable.