

# Consolidated Financial Results for the Three Months Ended June 30, 2018 [Japanese GAAP]



August 10, 2018

Company name: MAEDA ROAD CONSTRUCTION CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1883

URL: <http://www.maedaroad.co.jp>

Representative: Ryozo Imaeda, President and Representative Director

Contact: Ryuji Endo, General Manager, Accounting & Finance Division, Administration Headquarters

Phone: +81-3-5487-0011

Scheduled date of filing quarterly securities report: August 10, 2018

Scheduled date of commencing dividend payments: —

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

Schedule of quarterly financial results briefing session: Not scheduled

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2018	48,680	0.3	2,361	(25.6)	2,693	(21.7)	1,824	(18.5)
Three months ended June 30, 2017	48,542	4.6	3,174	(14.4)	3,440	(10.5)	2,239	(11.9)

(Note) Comprehensive income: Three months ended June 30, 2018: ¥2,154 million [(51.5)%]

Three months ended June 30, 2017: ¥4,440 million [108.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	21.14	-
Three months ended June 30, 2017	25.95	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	270,468	199,318	73.3
As of March 31, 2018	286,997	201,977	70.0

(Reference) Equity: As of June 30, 2018: ¥198,177 million

As of March 31, 2018: ¥200,792 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen -	Yen -	Yen -	Yen 55.00	Yen 55.00
Fiscal year ending March 31, 2019	-				
Fiscal year ending March 31, 2019 (Forecast)		-	-	55.00	55.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	105,000	0.5	8,900	(1.8)	9,100	(2.6)	5,600	(10.9)	64.89
Full year	236,000	0.7	23,400	(0.0)	23,800	(0.0)	14,800	60.8	171.50

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

### \* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018 (Changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Application of accounting methods specific to quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - June 30, 2018: 94,159,453 shares
    - March 31, 2018: 94,159,453 shares
  - 2) Total number of treasury shares at the end of the period:
    - June 30, 2018: 7,864,441 shares
    - March 31, 2018: 7,864,307 shares
  - 3) Average number of shares during the period (cumulative):
    - Three months ended June 30, 2018: 86,295,105 shares
    - Three months ended June 30, 2017: 86,301,641 shares

\* These quarterly consolidated financial results are outside of the scope of quarterly review by certified public accountants or an audit corporation.

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

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

## Table of Contents

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2018 .....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .....	3
2. Quarterly Consolidated Financial Statements and Primary Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
(3) Notes to the Quarterly Consolidated Financial Statements .....	8
(Notes on Going Concern Assumption) .....	8
(Notes to Significant Changes in Shareholders' Equity) .....	8
(Additional Information) .....	8
(Segment Information) .....	8
3. Others .....	10
(1) Amount of Orders Received, Net Sales and Amount Carried Forward to Next Period by Business (Non-consolidated).....	10
(2) Others.....	11

## 1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2018

### (1) Explanation of Operating Results

During the three months ended June 30, 2018, the environment surrounding MAEDA ROAD CONSTRUCTION CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) continued to be harsh as the outlook for raw material prices was uncertain, such as rising crude oil prices, despite a gradual increase in corporate capital investment, backed by a recovery in corporate earnings and solid public investment.

Amid this environment, the Group, in the construction business, made efforts to secure construction orders from the private sector, while in the manufacturing and sales business, strived to retain sales volume and maintain profitability by conducting the recycling-oriented business on an ongoing basis through recycling of construction waste, etc.

The amount of orders received during the three months ended June 30, 2018 was ¥54,907 million, down 5.2% year on year, net sales amounted to ¥48,680 million, up 0.3% year on year, and operating profit amounted to ¥2,361 million, down 25.6% year on year. Ordinary profit came to ¥2,693 million, down 21.7% year on year, and profit attributable to owners of parent was ¥1,824 million, down 18.5% year on year.

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

The results by segment are as follows:

#### **Construction business**

In the construction business, the amount of received construction contracts for the three months ended June 30, 2018 was ¥38,786 million, down 4.8% year on year, the amount of completed construction contracts was ¥32,433 million, up 3.8% year on year, and operating profit was ¥1,769 million, up 2.2% year on year.

#### **Manufacturing and sales business**

In the manufacturing and sales business, net sales of asphalt mixture and other products for the three months ended June 30, 2018 amounted to ¥16,120 million, down 6.2% year on year, while operating profit amounted to ¥1,736 million, down 31.9% year on year.

#### **Others**

Net sales of other businesses for the three months ended June 30, 2018 amounted to ¥127 million, up 7.2% year on year, while operating loss amounted to ¥0 million (operating profit of ¥8 million in the same period of the previous fiscal year).

## (2) Explanation of Financial Position

### (Assets)

Current assets decreased by ¥19,634 million compared to the end of the previous fiscal year to ¥148,033 million, mainly due to a decrease in notes receivable, accounts receivable from completed construction contracts and other, due to collection.

Non-current assets increased by ¥3,105 million compared to the end of the previous fiscal year to ¥122,435 million, mainly due to an increase in investment securities on the back of purchase of shares.

As a result, total assets decreased by ¥16,528 million compared to the end of the previous fiscal year to ¥270,468 million.

### (Liabilities)

Current liabilities decreased by ¥14,741 million compared to the end of the previous fiscal year to ¥42,667 million, mainly due to a decrease in notes payable, accounts payable for construction contracts and other resulting from payment and a decrease in income taxes payable resulting from payment of taxes.

Non-current liabilities increased by ¥871 million compared to the end of the previous fiscal year to ¥28,482 million, mainly due to an increase in deferred tax liabilities.

As a result, total liabilities decreased by ¥13,869 million compared to the end of the previous fiscal year to ¥71,150 million.

### (Net assets)

Total net assets decreased by ¥2,658 million compared to the end of the previous fiscal year to ¥199,318 million, mainly due to dividends from surplus.

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

The financial results forecast for the fiscal year ending March 31, 2019 has not changed from the financial results forecast announced on May 14, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes  
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	55,967	50,889
Notes receivable, accounts receivable from completed construction contracts and other	49,002	32,099
Securities	44,439	44,453
Costs on uncompleted construction contracts and other	7,338	10,020
Other	10,989	10,632
Allowance for doubtful accounts	(69)	(62)
Total current assets	167,667	148,033
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,978	16,820
Machinery and vehicles, net	13,591	13,083
Land	52,279	52,272
Other, net	1,732	2,250
Total property, plant and equipment	84,583	84,426
Intangible assets	964	892
Investments and other assets		
Investment securities	25,636	28,685
Net defined benefit asset	6,157	6,332
Other	1,988	2,099
Allowance for doubtful accounts	—	(1)
Total investments and other assets	33,782	37,116
Total non-current assets	119,329	122,435
Total assets	286,997	270,468

(Million yen)

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	37,209	28,316
Income taxes payable	4,962	230
Advances received on uncompleted construction contracts	3,948	5,263
Provision for bonuses	3,178	1,648
Provision	401	386
Other	7,708	6,821
Total current liabilities	57,408	42,667
Non-current liabilities		
Net defined benefit liability	4,338	4,322
Provision for loss on Anti-Monopoly Act	19,214	19,163
Other	4,058	4,996
Total non-current liabilities	27,611	28,482
Total liabilities	85,019	71,150
<b>Net assets</b>		
Shareholders' equity		
Capital stock	19,350	19,350
Capital surplus	23,343	23,343
Retained earnings	155,828	152,899
Treasury shares	(4,799)	(4,799)
Total shareholders' equity	193,723	190,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,535	9,890
Foreign currency translation adjustment	(84)	(189)
Remeasurements of defined benefit plans	(2,381)	(2,316)
Total accumulated other comprehensive income	7,069	7,383
Non-controlling interests	1,185	1,141
Total net assets	201,977	199,318
Total liabilities and net assets	286,997	270,468



(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended June 30, 2018

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Net sales	48,542	48,680
Cost of sales	42,806	43,694
Gross profit	5,735	4,986
Selling, general and administrative expenses	2,561	2,624
Operating profit	3,174	2,361
Non-operating income		
Interest income	6	5
Dividend income	239	273
Other	57	90
Total non-operating income	303	368
Non-operating expenses		
Other	37	36
Total non-operating expenses	37	36
Ordinary profit	3,440	2,693
Extraordinary income		
Gain on sales of non-current assets	16	26
Other	2	—
Total extraordinary income	19	26
Extraordinary losses		
Loss on retirement of non-current assets	25	38
Provision for loss on Anti-Monopoly Act	126	—
Other	12	2
Total extraordinary losses	163	40
Profit before income taxes	3,295	2,680
Income taxes	1,025	840
Profit	2,270	1,839
Profit attributable to non-controlling interests	30	15
Profit attributable to owners of parent	2,239	1,824

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30, 2018

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	2,270	1,839
Other comprehensive income		
Valuation difference on available-for-sale securities	2,120	354
Foreign currency translation adjustment	(32)	(105)
Remeasurements of defined benefit plans, net of tax	83	65
Total other comprehensive income	2,170	314
Comprehensive income	4,440	2,154
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,409	2,138
Comprehensive income attributable to non-controlling interests	31	15

### (3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes to Significant Changes in Shareholders' Equity)

For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

There is no relevant information.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

As the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc., from the beginning of the three months ended June 30, 2018, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

(Segment Information)

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

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

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Construction business	Manufacturing and sales business	Total				
Net sales							
Net sales to outside customers	31,241	17,182	48,424	118	48,542	—	48,542
Inter-segment net sales or transfers	5	5,548	5,553	145	5,699	(5,699)	—
Total	31,246	22,731	53,977	263	54,241	(5,699)	48,542
Segment profit	1,731	2,549	4,280	8	4,289	(1,114)	3,174

(Notes)

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

For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

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

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Construction business	Manufacturing and sales business	Total				
Net sales							
Net sales to outside customers	32,433	16,120	48,553	127	48,680	—	48,680
Inter-segment net sales or transfers	15	7,514	7,529	167	7,697	(7,697)	—
<b>Total</b>	<b>32,448</b>	<b>23,635</b>	<b>56,083</b>	<b>294</b>	<b>56,378</b>	<b>(7,697)</b>	<b>48,680</b>
<b>Segment profit (loss)</b>	<b>1,769</b>	<b>1,736</b>	<b>3,505</b>	<b>(0)</b>	<b>3,505</b>	<b>(1,143)</b>	<b>2,361</b>

(Notes)

1. “Other” incorporates operations not included in reportable segments, including leasing, insurance agency and consultancy services, etc.
2. The adjustment for segment profit of ¥(1,143) million includes elimination of inter-segment transactions of ¥22 million and corporate expenses not allocated to each reportable segment of ¥(1,165) million. Corporate expenses are general and administrative expenses that are not attributable to reportable segments.
3. Segment profit is adjusted to the operating profit in the quarterly consolidated statements of income.

### 3. Others

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

Category			For the three months ended June 30, 2017		For the three months ended June 30, 2018		Change		(Reference) For the fiscal year ended March 31, 2018	
			Amount (million yen)	Composition rate (%)	Amount (million yen)	Composition rate (%)	Amount (million yen)	Change rate (%)	Amount (million yen)	Composition rate (%)
Orders received	Construction business	Asphalt pavements	31,883	58.5	29,876	56.5	(2,006)	(6.3)	123,932	54.1
		Concrete pavements	362	0.6	465	0.9	103	28.6	2,972	1.3
		Civil engineering works	6,373	11.7	7,211	13.6	837	13.1	28,213	12.3
		Subtotal	38,619	70.8	37,553	71.0	(1,065)	(2.8)	155,119	67.7
	Product business	15,898	29.2	15,374	29.0	(524)	(3.3)	73,948	32.3	
	Total	54,518	100.0	52,928	100.0	(1,590)	(2.9)	229,067	100.0	
Net sales	Construction business	Asphalt pavements	23,265	51.1	25,257	54.7	1,992	8.6	119,584	53.8
		Concrete pavements	394	0.9	412	0.9	17	4.4	1,925	0.9
		Civil engineering works	5,943	13.1	5,095	11.1	(848)	(14.3)	26,707	12.0
		Subtotal	29,603	65.1	30,764	66.7	1,161	3.9	148,217	66.7
	Product business	15,898	34.9	15,374	33.3	(524)	(3.3)	73,948	33.3	
	Total	45,502	100.0	46,139	100.0	636	1.4	222,165	100.0	
Amount carried forward to next period	Construction business	Asphalt pavements	35,607	81.6	35,956	74.5	348	1.0	31,337	75.5
		Concrete pavements	676	1.6	1,810	3.7	1,133	167.5	1,756	4.2
		Civil engineering works	7,331	16.8	10,523	21.8	3,192	43.5	8,407	20.3
		Subtotal	43,615	100.0	48,290	100.0	4,674	10.7	41,501	100.0
	Product business	—	—	—	—	—	—	—	—	—
	Total	43,615	100.0	48,290	100.0	4,674	10.7	41,501	100.0	

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

## (2) Others

- 1) On suspicion of violation of the Anti-Monopoly Act with regard to pavement construction ordered by the Tokyo Metropolitan Government, Tokyo Port Terminal Corporation, or NARITA INTERNATIONAL AIRPORT CORPORATION or pavement construction regarding Tokyo International Airport ordered by the Ministry of Land, Infrastructure, Transport and Tourism, the Company received an on-site inspection by the Japan Fair Trade Commission on August 2, 2016 and received a cease and desist order and a surcharge payment order on March 28, 2018 by the Commission.  
In addition, regarding the above, the Company was ordered by the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to suspend business from June 22, 2018 to July 21, 2018 in accordance with the provision of Article 28, Paragraph 3 of the Construction Business Act.
- 2) On suspicion of determining the sales price hike of asphalt mixture supplied to Kobe City and its vicinity jointly with other manufacturers and distributors of asphalt mixture, the Company received an on-site inspection from the Japan Fair Trade Commission on September 28, 2016.
- 3) On suspicion of determining the sales price hike, etc. of asphalt mixture supplied nationwide jointly with other manufacturers and distributors of asphalt mixture, the Company received an on-site inspection from the Japan Fair Trade Commission on February 28, 2017.

Furthermore, in the three months ended June 30, 2018, the Company has reported surcharges and other losses related to the above that are highly likely to occur and for which it is possible to make a reasonable estimate of the amount as a provision for loss on Anti-Monopoly Act.

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