

Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



November 12, 2018

Company name: MAEDA ROAD CONSTRUCTION CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1883

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Scheduled date of commencing dividend payments: —

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

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 to September 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	%
Six months ended September 30, 2018	98,138	(6.1)	5,576	(38.5)	5,987	(35.9)	3,868	(38.5)
Six months ended September 30, 2017	104,528	2.9	9,067	(12.2)	9,344	(10.9)	6,286	(13.5)

(Note) Comprehensive income: Six months ended September 30, 2018: ¥5,915 million [(41.5)%]

Six months ended September 30, 2017: ¥10,105 million [32.7%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended September 30, 2018	44.82	-	-	-
Six months ended September 30, 2017	72.84	-	-	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	275,390	203,080	73.3
As of March 31, 2018	286,997	201,977	70.0

(Reference) Equity: As of September 30, 2018: ¥201,912 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	-	-	55.00	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
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 six months ended September 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):
 - September 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:
 - September 30, 2018: 7,864,523 shares
 - March 31, 2018: 7,864,307 shares
 - 3) Average number of shares during the period (cumulative):
 - Six months ended September 30, 2018: 86,295,050 shares
 - Six months ended September 30, 2017: 86,300,675 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 Six Months Ended September 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) Quarterly Consolidated Statements of Cash Flows.....	8
(4) Notes to the Quarterly Consolidated Financial Statements.....	9
(Notes on Going Concern Assumption)	9
(Notes to Significant Changes in Shareholders' Equity).....	9
(Additional Information)	9
(Segment Information)	9
3. Others	11
(1) Amount of Orders Received, Net Sales and Amount Carried Forward to Next Period by Business (Non-consolidated).....	11
(2) Others.....	12

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2018

(1) Explanation of Operating Results

During the six months ended September 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 six months ended September 30, 2018 was ¥101,395 million, down 13.1% year on year, net sales amounted to ¥98,138 million, down 6.1% year on year, and operating profit amounted to ¥5,576 million, down 38.5% year on year. Ordinary profit came to ¥5,987 million, down 35.9% year on year, and profit attributable to owners of parent was ¥3,868 million, down 38.5% 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 six months ended September 30, 2018 was ¥69,130 million, down 14.9% year on year, the amount of completed construction contracts was ¥65,613 million, down 4.7% year on year, and operating profit was ¥3,534 million, down 27.3% year on year.

Manufacturing and sales business

In the manufacturing and sales business, net sales of asphalt mixture and other products for the six months ended September 30, 2018 amounted to ¥32,265 million, down 8.9% year on year, while operating profit amounted to ¥4,164 million, down 33.9% year on year.

Others

Net sales of other businesses for the six months ended September 30, 2018 amounted to ¥259 million, up 7.8% year on year, while operating profit amounted to ¥18 million, down 27.0% year on year.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥18,478 million compared to the end of the previous fiscal year to ¥149,189 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 ¥6,871 million compared to the end of the previous fiscal year to ¥126,201 million, mainly due to an increase in investment securities on the back of purchase of shares and a rise in market value.

As a result, total assets decreased by ¥11,606 million compared to the end of the previous fiscal year to ¥275,390 million.

(Liabilities)

Current liabilities decreased by ¥13,759 million compared to the end of the previous fiscal year to ¥43,649 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 ¥1,049 million compared to the end of the previous fiscal year to ¥28,660 million, mainly due to an increase in deferred tax liabilities.

As a result, total liabilities decreased by ¥12,709 million compared to the end of the previous fiscal year to ¥72,310 million.

(Net assets)

Total net assets increased by ¥1,102 million compared to the end of the previous fiscal year to ¥203,080 million, mainly due to a rise in the valuation difference on available-for-sale securities that resulted from an increase in the market value of securities held by the Company.

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

The operating results for the six months ended September 30, 2018 fell short of the financial results forecast announced on May 14, 2018. Net sales were ¥6,861 million (6.5%) lower than the forecast, while operating profit was ¥3,323 million (37.3%) lower, ordinary profit was ¥3,112 million (34.2%) lower, and profit attributable to owners of parent was ¥1,731 million (30.9%) lower.

However, the financial results forecast for the full fiscal year remains unchanged due to an uncertain business environment including unforeseeable trends in raw material prices in the second half of the fiscal year.

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

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	55,967	50,933
Notes receivable, accounts receivable from completed construction contracts and other	49,002	33,161
Securities	44,439	44,367
Costs on uncompleted construction contracts and other	7,338	9,693
Other	10,989	11,199
Allowance for doubtful accounts	(69)	(166)
Total current assets	167,667	149,189
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,978	16,714
Machinery and vehicles, net	13,591	13,051
Land	52,279	52,534
Other, net	1,732	3,351
Total property, plant and equipment	84,583	85,651
Intangible assets	964	853
Investments and other assets		
Investment securities	25,636	31,108
Net defined benefit asset	6,157	6,510
Other	1,988	2,077
Total investments and other assets	33,782	39,696
Total non-current assets	119,329	126,201
Total assets	286,997	275,390

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	37,209	27,060
Income taxes payable	4,962	1,907
Advances received on uncompleted construction contracts	3,948	4,793
Provision for bonuses	3,178	3,203
Provision	401	341
Other	7,708	6,343
Total current liabilities	57,408	43,649
Non-current liabilities		
Net defined benefit liability	4,338	4,334
Provision for loss on Anti-Monopoly Act	19,214	19,163
Other	4,058	5,162
Total non-current liabilities	27,611	28,660
Total liabilities	85,019	72,310
Net assets		
Shareholders' equity		
Capital stock	19,350	19,350
Capital surplus	23,343	23,343
Retained earnings	155,828	154,943
Treasury shares	(4,799)	(4,799)
Total shareholders' equity	193,723	192,837
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,535	11,508
Foreign currency translation adjustment	(84)	(181)
Remeasurements of defined benefit plans	(2,381)	(2,251)
Total accumulated other comprehensive income	7,069	9,075
Non-controlling interests	1,185	1,167
Total net assets	201,977	203,080
Total liabilities and net assets	286,997	275,390

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended September 30, 2018

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	104,528	98,138
Cost of sales	90,547	87,359
Gross profit	13,980	10,779
Selling, general and administrative expenses	4,912	5,202
Operating profit	9,067	5,576
Non-operating income		
Interest income	12	10
Dividend income	267	309
Other	72	160
Total non-operating income	352	480
Non-operating expenses		
Other	75	68
Total non-operating expenses	75	68
Ordinary profit	9,344	5,987
Extraordinary income		
Gain on sales of non-current assets	164	49
Other	9	0
Total extraordinary income	174	49
Extraordinary losses		
Loss on retirement of non-current assets	88	140
Impairment loss	13	74
Provision for loss on Anti-Monopoly Act	126	—
Other	12	8
Total extraordinary losses	241	223
Profit before income taxes	9,277	5,813
Income taxes	2,916	1,905
Profit	6,361	3,907
Profit attributable to non-controlling interests	74	39
Profit attributable to owners of parent	6,286	3,868

Quarterly Consolidated Statements of Comprehensive Income

Six months ended September 30, 2018

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	6,361	3,907
Other comprehensive income		
Valuation difference on available-for-sale securities	3,619	1,974
Foreign currency translation adjustment	(41)	(96)
Remeasurements of defined benefit plans, net of tax	167	130
Total other comprehensive income	3,744	2,007
Comprehensive income	10,105	5,915
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,029	5,873
Comprehensive income attributable to non-controlling interests	76	41

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	9,277	5,813
Depreciation	3,473	3,658
Impairment loss	13	74
Increase (decrease) in allowance for doubtful accounts	11	96
Increase (decrease) in provision for bonuses	(83)	25
Increase (decrease) in net defined benefit liability	169	(44)
Decrease (increase) in net defined benefit asset	—	(125)
Increase (decrease) in provision for loss from Anti-Monopoly Act	(631)	(50)
Interest and dividend income	(279)	(320)
Foreign exchange losses (gains)	(5)	(92)
Loss (gain) on sales of non-current assets	(164)	(49)
Loss on retirement of non-current assets	88	140
Decrease (increase) in notes and accounts receivable - trade	6,834	15,823
Decrease (increase) in costs on uncompleted construction contracts and other	(2,157)	(2,354)
Increase (decrease) in notes and accounts payable - trade	2,255	(10,147)
Increase (decrease) in advances received on uncompleted construction contracts	1,666	845
Other, net	(570)	(1,159)
Subtotal	19,899	12,133
Interest and dividend income received	276	318
Income taxes paid	(5,433)	(4,612)
Net cash provided by (used in) operating activities	14,742	7,840
Cash flows from investing activities		
Purchase of securities	(39,997)	(39,997)
Proceeds from sales and redemption of securities	39,997	39,998
Purchase of trust beneficiary right	(22,498)	(22,698)
Proceeds from redemption of trust beneficiary right	22,499	22,699
Purchase of property, plant and equipment	(5,985)	(5,332)
Proceeds from sales of property, plant and equipment	189	64
Payments into time deposits	(28,136)	(22,850)
Proceeds from withdrawal of time deposits	28,150	28,729
Other, net	107	(2,810)
Net cash provided by (used in) investing activities	(5,672)	(2,199)
Cash flows from financing activities		
Cash dividends paid	(4,753)	(4,753)
Dividends paid to non-controlling interests	(60)	(59)
Decrease (increase) in treasury shares	(8)	(0)
Net cash provided by (used in) financing activities	(4,822)	(4,813)
Effect of exchange rate change on cash and cash equivalents	25	(53)
Net increase (decrease) in cash and cash equivalents	4,273	773
Cash and cash equivalents at beginning of period	51,021	63,584
Cash and cash equivalents at end of period	55,295	64,357

(4) 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 six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

There is no relevant information.

(Additional Information)

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

Since the Company has applied the "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 six months ended September 30, 2017 (From April 1, 2017 to September 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	68,880	35,407	104,287	240	104,528	—	104,528
Inter-segment net sales or transfers	20	11,553	11,574	311	11,886	(11,886)	—
Total	68,901	46,961	115,862	551	116,414	(11,886)	104,528
Segment profit	4,860	6,296	11,157	24	11,182	(2,114)	9,067

(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 ¥(2,114) million includes elimination of inter-segment transactions of ¥(14) million and corporate expenses not allocated to each reportable segment of ¥(2,099) 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 six months ended September 30, 2018 (From April 1, 2018 to September 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	65,613	32,265	97,878	259	98,138	—	98,138
Inter-segment net sales or transfers	31	14,545	14,577	332	14,910	(14,910)	—
Total	65,645	46,811	112,456	592	113,048	(14,910)	98,138
Segment profit	3,534	4,164	7,699	18	7,717	(2,141)	5,576

(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 ¥(2,141) million includes elimination of inter-segment transactions of ¥20 million and corporate expenses not allocated to each reportable segment of ¥(2,161) 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 six months ended September 30, 2017		For the six months ended September 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	62,913	57.0	52,748	54.4	(10,165)	(16.2)	123,932	54.1
		Concrete pavements	606	0.5	1,014	1.0	408	67.4	2,972	1.3
		Civil engineering works	13,926	12.6	12,298	12.7	(1,628)	(11.7)	28,213	12.3
		Subtotal	77,446	70.1	66,061	68.1	(11,385)	(14.7)	155,119	67.7
	Product business	32,981	29.9	30,879	31.9	(2,101)	(6.4)	73,948	32.3	
	Total	110,427	100.0	96,940	100.0	(13,487)	(12.2)	229,067	100.0	
Net sales	Construction business	Asphalt pavements	52,052	52.8	50,465	54.3	(1,586)	(3.0)	119,584	53.8
		Concrete pavements	886	0.9	978	1.1	92	10.5	1,925	0.9
		Civil engineering works	12,621	12.8	10,531	11.3	(2,090)	(16.6)	26,707	12.0
		Subtotal	65,560	66.5	61,976	66.7	(3,584)	(5.5)	148,217	66.7
	Product business	32,981	33.5	30,879	33.3	(2,101)	(6.4)	73,948	33.3	
	Total	98,541	100.0	92,855	100.0	(5,685)	(5.8)	222,165	100.0	
Amount carried forward to next period	Construction business	Asphalt pavements	37,850	81.4	33,619	73.8	(4,231)	(11.2)	31,337	75.5
		Concrete pavements	429	0.9	1,792	3.9	1,363	317.6	1,756	4.2
		Civil engineering works	8,205	17.7	10,174	22.3	1,968	24.0	8,407	20.3
		Subtotal	46,485	100.0	45,586	100.0	(899)	(1.9)	41,501	100.0
	Product business	—	—	—	—	—	—	—	—	
	Total	46,485	100.0	45,586	100.0	(899)	(1.9)	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 on June 7, 2018 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 six months ended September 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.