

**Consolidated Financial Results
for the Nine Months Ended December 31, 2019
[Japanese GAAP]**



February 7, 2020

Company name: MAEDA ROAD CONSTRUCTION CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1883

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

Representative: Ryoza Imaeda, President and Representative Director

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

Headquarters

Phone: +81-3-5487-0011

Scheduled date of filing quarterly securities report: February 7, 2020

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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(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	%
Nine months ended December 31, 2019	168,230	7.1	12,967	30.3	13,496	29.3	15,304	131.0
Nine months ended December 31, 2018	157,145	(4.6)	9,954	(35.8)	10,435	(34.4)	6,624	74.9

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥16,296 million [254.4%]
 Nine months ended December 31, 2018: ¥4,598 million [(51.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	180.02	-
Nine months ended December 31, 2018	76.76	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	274,392	209,274	75.7
As of March 31, 2019	290,007	207,749	71.1

(Reference) Equity: As of December 31, 2019: ¥207,712 million
 As of March 31, 2019: ¥206,246 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen -	Yen -	Yen -	Yen 70.00	Yen 70.00
Fiscal year ending March 31, 2020	-	-	-		
Fiscal year ending March 31, 2020 (Forecast)				100.00	100.00

- (Note) 1. Revision of dividends forecast from recently announced figures: No
 2. Breakdown of year-end dividends for the fiscal year ending March 31, 2020 (forecast):
 Ordinary dividends: 70.00 yen; Commemorative dividends: 30.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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	228,000	1.9	18,000	5.1	18,300	3.8	18,200	58.5	215.60

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

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019 (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):
 December 31, 2019: 89,159,453 shares
 March 31, 2019: 94,159,453 shares
 - 2) Total number of treasury shares at the end of the period:
 December 31, 2019: 6,274,424 shares
 March 31, 2019: 7,738,809 shares
 - 3) Average number of shares during the period (cumulative):
 Nine months ended December 31, 2019: 85,015,256 shares
 Nine months ended December 31, 2018: 86,307,577 shares

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

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

(Notes on forward looking statements)

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.

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1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2019

(1) Explanation of Operating Results

During the nine months ended December 31, 2019, 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 crude oil prices, despite a continuing moderate upward trend in corporate capital investment, backed by robust corporate earnings and investments in growing segments, and strong 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.

For the nine months ended December 31, 2019, net sales amounted to ¥168,230 million, up 7.1% year on year, and operating profit amounted to ¥12,967 million, up 30.3% year on year. Ordinary profit came to ¥13,496 million, up 29.3% year on year, and profit attributable to owners of parent was ¥15,304 million, up 131.0% 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 nine months ended December 31, 2019 was ¥120,429 million, up 4.1% year on year, the amount of completed construction contracts was ¥114,306 million, up 10.5% year on year, and operating profit was ¥9,045 million, up 45.6% year on year.

Manufacturing and sales business

In the manufacturing and sales business, net sales of asphalt mixture and other products for the nine months ended December 31, 2019 amounted to ¥53,456 million, up 0.4% year on year, while operating profit amounted to ¥7,753 million, up 10.9% year on year.

Others

Net sales of other businesses for the nine months ended December 31, 2019 amounted to ¥467 million, up 12.3% year on year, while operating profit amounted to ¥107 million, up 110.4% year on year.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥16,624 million compared to the end of the previous fiscal year to ¥149,848 million, mainly due to a decrease in securities resulting from sales.

Non-current assets increased by ¥1,009 million compared to the end of the previous fiscal year to ¥124,544 million, mainly due to an increase in land.

As a result, total assets decreased by ¥15,615 million compared to the end of the previous fiscal year to ¥274,392 million.

(Liabilities)

Current liabilities decreased by ¥51 million compared to the end of the previous fiscal year to ¥55,221 million, mainly due to a decrease in notes payable, accounts payable for construction contracts and other resulting from payments.

Non-current liabilities decreased by ¥17,088 million compared to the end of the previous fiscal year to ¥9,896 million, mainly due to a decrease in provision for loss on Anti-Monopoly Act.

As a result, total liabilities decreased by ¥17,139 million compared to the end of the previous fiscal year to ¥65,118 million.

(Net assets)

Total net assets increased by ¥1,524 million compared to the end of the previous fiscal year to ¥209,274 million, mainly due to an increase in retained earnings resulting from the recording of profit.

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

The financial results forecast for the fiscal year ending March 31, 2020 remains unchanged from that announced on August 8, 2019.

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

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	60,736	63,186
Notes receivable, accounts receivable from completed construction contracts and other	46,931	40,465
Securities	38,724	22,025
Costs on construction contracts in progress	8,239	11,660
Other	11,922	12,580
Allowance for doubtful accounts	(82)	(71)
Total current assets	166,472	149,848
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,700	17,222
Machinery and vehicles, net	14,559	13,039
Land	52,768	55,244
Other, net	1,251	1,564
Total property, plant and equipment	86,280	87,071
Intangible assets	820	1,302
Investments and other assets		
Investment securities	27,977	27,431
Retirement benefit asset	6,299	6,828
Other	2,156	1,910
Total investments and other assets	36,433	36,170
Total non-current assets	123,535	124,544
Total assets	290,007	274,392

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	35,777	26,388
Income taxes payable	4,346	1,435
Advances received on construction contracts in progress	3,791	6,194
Provision for bonuses	3,191	1,607
Provisions	436	353
Other	7,730	19,242
Total current liabilities	55,273	55,221
Non-current liabilities		
Retirement benefit liability	4,366	4,415
Provision for loss on Anti-Monopoly Act	19,163	64
Other	3,455	5,417
Total non-current liabilities	26,985	9,896
Total liabilities	82,258	65,118
Net assets		
Shareholders' equity		
Share capital	19,350	19,350
Capital surplus	23,354	23,273
Retained earnings	162,557	167,364
Treasury shares	(4,542)	(8,712)
Total shareholders' equity	200,720	201,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,204	8,875
Foreign currency translation adjustment	(150)	(142)
Remeasurements of defined benefit plans	(2,527)	(2,295)
Total accumulated other comprehensive income	5,526	6,436
Non-controlling interests	1,502	1,561
Total net assets	207,749	209,274
Total liabilities and net assets	290,007	274,392

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine months ended December 31, 2019

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	157,145	168,230
Cost of sales	139,401	146,691
Gross profit	17,743	21,539
Selling, general and administrative expenses	7,789	8,571
Operating profit	9,954	12,967
Non-operating income		
Interest income	15	17
Dividend income	416	539
Other	151	145
Total non-operating income	583	702
Non-operating expenses		
Other	102	173
Total non-operating expenses	102	173
Ordinary profit	10,435	13,496
Extraordinary income		
Gain on sales of non-current assets	59	103
Reversal of provision for loss on Anti-Monopoly Act	—	6,301
Gain on sales of investment securities	57	173
Other	7	16
Total extraordinary income	124	6,595
Extraordinary losses		
Loss on retirement of non-current assets	210	336
Other	92	22
Total extraordinary losses	302	358
Profit before income taxes	10,257	19,732
Income taxes	3,554	4,346
Profit	6,703	15,386
Profit attributable to non-controlling interests	78	82
Profit attributable to owners of parent	6,624	15,304

Quarterly Consolidated Statements of Comprehensive Income
 Nine months ended December 31, 2019

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	6,703	15,386
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,257)	671
Foreign currency translation adjustment	(43)	7
Remeasurements of defined benefit plans, net of tax	195	231
Total other comprehensive income	(2,105)	910
Comprehensive income	4,598	16,296
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,519	16,213
Comprehensive income attributable to non-controlling interests	79	82

(3) Notes to the Quarterly Consolidated Financial Statements

(Additional Information)

(Share repurchase)

At a meeting of the Board of Directors held on May 14, 2019, the Company resolved on matters pertaining to a share repurchase pursuant to Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act. The share repurchase pursuant to this resolution was completed on January 22, 2020.

1. The reason for the share repurchase

The Company aims to increase corporate value through increasing return of profits to shareholders and implementing a flexible capital policy.

2. Matters regarding the repurchase

- | | |
|---|---|
| (1) Type of shares to be repurchased: | Common shares of the Company |
| (2) Total number of shares to be repurchased: | Up to 4,000,000 shares
(Ratio to the total number of issued shares excluding treasury shares: 4.63%) |
| (3) Total cost of the share repurchase: | Up to 10,000,000,000 yen |
| (4) Repurchase period: | From June 1, 2019 to February 28, 2020 |
| (5) Repurchase method: | Open market purchase through a trust bank |

3. The cumulative total of the shares repurchased based on the aforementioned resolution at the meeting of the Board of Directors

- | | |
|---|---------------------------------------|
| (1) Type of shares repurchased: | Common shares of the Company |
| (2) Total number of shares repurchased: | 4,000,000 shares |
| (3) Total cost of the repurchase: | 9,879,202,800 yen |
| (4) Repurchase period: | From June 1, 2019 to January 22, 2020 |

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes to Significant Changes in Shareholders' Equity)

For the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

There is no relevant information.

(Segment Information)

[Segment Information]

For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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	103,478	53,251	156,729	416	157,145	—	157,145
Inter-segment net sales or transfers	52	23,297	23,350	494	23,845	(23,845)	—
Total	103,530	76,549	180,080	911	180,991	(23,845)	157,145
Segment profit	6,214	6,994	13,208	51	13,259	(3,305)	9,954

(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 ¥(3,305) million includes elimination of inter-segment transactions of ¥21 million and corporate expenses not allocated to each reportable segment of ¥(3,326) 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 nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

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	114,306	53,456	167,763	467	168,230	—	168,230
Inter-segment net sales or transfers	79	22,885	22,964	587	23,552	(23,552)	—
Total	114,385	76,342	190,728	1,055	191,783	(23,552)	168,230
Segment profit	9,045	7,753	16,799	107	16,907	(3,939)	12,967

(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 ¥(3,939) million includes elimination of inter-segment transactions of ¥14 million and corporate expenses not allocated to each reportable segment of ¥(3,954) 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 (Consolidated)

(Million Yen; %)

			For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		Year-on-year change		(Reference) For the fiscal year ended March 31, 2019	
			Amount	Composition rate	Amount	Composition rate	Amount	Change rate	Amount	Composition rate
Orders received	Construction business	Pavement works	94,393	55.7	99,020	56.8	4,627	4.9	128,986	55.7
		Civil engineering works	21,347	12.6	21,408	12.3	61	0.3	28,199	12.2
		Subtotal	115,740	68.3	120,429	69.1	4,689	4.1	157,186	67.9
	Manufacturing and sales business		53,251	31.4	53,456	30.6	205	0.4	73,677	31.8
	Other		416	0.3	467	0.3	51	12.3	618	0.3
	Total		169,408	100.0	174,354	100.0	4,945	2.9	231,482	100.0
Net sales	Construction business	Pavement works	84,471	53.7	92,479	55.0	8,007	9.5	121,712	54.4
		Civil engineering works	19,006	12.1	21,826	12.9	2,820	14.8	27,748	12.4
		Subtotal	103,478	65.8	114,306	67.9	10,828	10.5	149,461	66.8
	Manufacturing and sales business		53,251	33.9	53,456	31.8	205	0.4	73,677	32.9
	Other		416	0.3	467	0.3	51	12.3	618	0.3
	Total		157,145	100.0	168,230	100.0	11,084	7.1	223,757	100.0
Amount carried forward to next period	Construction business	Pavement works	44,286	77.8	48,180	82.4	3,893	8.8	41,639	79.5
		Civil engineering works	12,619	22.2	10,311	17.6	(2,307)	(18.3)	10,729	20.5
		Subtotal	56,906	100.0	58,492	100.0	1,586	2.8	52,369	100.0
	Manufacturing and sales business		—	—	—	—	—	—	—	—
	Other		—	—	—	—	—	—	—	—
	Total		56,906	100.0	58,492	100.0	1,586	2.8	52,369	100.0

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

(2) Others

On suspicion of determining the sales price hike, etc. of asphalt mixture supplied nationwide, the Company received an on-site inspection from the Japan Fair Trade Commission in February 2017, and received a cease and desist order and a surcharge payment order in July 2019 by the Commission.

The Company solemnly accepts the current state of affairs. Based on the recommendations of an external committee for investigation, the Company established an Anti-Monopoly Act Violation Risk Management Committee and Tender Supervision Committee (currently the Compliance Monitoring Committee), and is continuously implementing training and lectures for all executives and staff. In this way, the Company is striving to restore confidence by further strengthening legal compliance and measures for the prevention of recurrence.