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ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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October 31, 2023

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

Company name: **MEISEI INDUSTRIAL CO., LTD.**
Listing: Tokyo Stock Exchange, Prime
Securities code: 1976
URL: <https://www.meisei-kogyo.co.jp/en/>
Representative: Toshiteru Otani, Representative Director, Chairman and Chief Executive Officer (CEO)
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Scheduled date to file quarterly securities report: November 10, 2023
Scheduled date to commence dividend payments: November 24, 2023
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: None

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

1. Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	26,578	3.3	2,722	(2.8)	2,938	(5.8)	2,228	5.2
September 30, 2022	25,722	15.2	2,799	42.6	3,119	44.0	2,118	48.9

Note: Comprehensive income

Six months ended September 30, 2023: ¥2,966 million [21.1%]

Six months ended September 30, 2022: ¥2,449 million [56.4%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2023	44.74	—
September 30, 2022	42.56	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	78,422	61,258	77.6	1,219.91
March 31, 2023	77,508	59,448	76.2	1,185.84

Reference: Shareholders' equity

As of September 30, 2023:

¥60,829 million

As of March 31, 2023:

¥59,053 million

2. Cash Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2023	–	12.00	–	24.00	36.00
March 31, 2024	–	14.00			
March 31, 2024 (Forecast)			–	22.00	36.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	55,000	(1.6)	6,600	(3.4)	6,700	(7.7)	4,670	(0.2)	93.78

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

* Notes

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

(4) Number of issued shares (common shares)

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

As of September 30, 2023	56,386,718 shares
As of March 31, 2023	56,386,718 shares

b. Number of treasury shares at end of period

As of September 30, 2023	6,522,661 shares
As of March 31, 2023	6,587,371 shares

c. Average number of outstanding shares during period

Six months ended September 30, 2023	49,807,667 shares
Six months ended September 30, 2022	49,780,246 shares

Note: The figures stated for the number of treasury shares at end of period include shares of the Company that are held by a trust established to distribute shares to officers (Officers' Share Distribution Trust). The calculation used to calculate the average number of outstanding shares during period excludes treasury shares, which include shares of the Company held by the Officers' Share Distribution Trust.

* The quarterly financial results are not subject to quarterly review.

* Proper use of earnings forecasts and other special notes

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport to be a promise by the Company to realize such statements. Actual business and other results may differ substantially due to various factors.

Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Economic and social activity continued to return to normal during the first half of the current fiscal year as the Japanese government downgraded COVID-19 to the same level as seasonal influenza. Although the economy is recovering slowly, the outlook remains uncertain because of high inflation, including rising prices worldwide of energy and raw materials, due in part to the prolonged Russia-Ukraine conflict.

Amid these economic conditions, the Meisei Industrial Group received orders totaling 32,706 million yen (down 1.5% year on year) in the first half of the current fiscal year. Many large orders were received in Japan but there was a decrease from one year earlier in the number of large orders received in outside Japan. Net sales totaled 26,578 million yen (up 3.3% year on year) driven by strong performance in Japan and overseas. Due to the higher cost of labor and raw materials, operating profit was 2,722 million yen, (down 2.8% year on year) and ordinary profit was 2,938 million yen (down 5.8% year on year). Profit attributable to owners of parent was 2,228 million yen (up 5.2% year on year) due to a decrease in income taxes.

Business segment performance was as follows.

1) Construction Business

Net sales totaled 23,215 million yen (up 2.0% year on year) because of large projects in Japan and overseas. Segment profit was 2,695 million yen (up 2.7% year on year).

2) Boiler Business

Net sales totaled 3,363 million yen (up 13.2% year on year) because of steady progress at large projects in Japan and maintenance work. Segment profit was 21 million yen (down 87.2% year on year) because of the higher cost of labor and raw materials.

(2) Explanation of Financial Position

Assets

At the end of the second quarter of the current fiscal year, current assets totaled 55,034 million yen, a decrease of 639 million yen from the end of the previous fiscal year. The main factors include increases of 4,540 million yen in cash and deposits, 282 million yen in costs on construction contracts in progress, and a decrease of 5,811 million yen in notes receivable, accounts receivable from completed construction contracts and other. Non-current assets totaled 23,387 million yen, an increase of 1,553 million yen. The main factors include increases of 1,263 million yen in property, plant and equipment and 538 million yen in investment securities.

As a result, total assets increased 913 million yen to 78,422 million yen.

Liabilities

At the end of the second quarter of the current fiscal year, current liabilities totaled 13,875 million yen, a decrease of 181 million yen from the end of the previous fiscal year. The main factors include increases of 1,121 million yen in contract liabilities and 700 million yen in current portion of long-term borrowings, and decreases of 1,016 million yen in notes payable, accounts payable for construction contracts and other and 718 million yen in income taxes payable. Non-current liabilities totaled 3,287 million yen, a decrease of 715 million yen. The main factors include an increase of 144 million yen in deferred tax liabilities and a decrease of 700 million yen in long-term borrowings.

As a result, total liabilities decreased 896 million yen to 17,163 million yen.

Net assets

At the end of the second quarter of the current fiscal year, net assets totaled 61,258 million yen, an increase of 1,810 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,228 million yen in profit attributable to owners of parent and a decrease of 1,200 million yen due to dividends of surplus.

Consequently, the capital adequacy ratio was 77.6% (compared with 76.2% at the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

The Company maintains its consolidated forecasts for the fiscal year ending on March 31, 2024 that was announced on May 10, 2023.

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and actual results may differ due to various factors. We will make an announcement promptly if there is a need to revise this forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	29,017	33,558
Notes receivable, accounts receivable from completed construction contracts and other	25,072	19,260
Securities	300	300
Costs on construction contracts in progress	559	841
Merchandise and finished goods	312	380
Raw materials and supplies	223	268
Other	206	438
Allowance for doubtful accounts	(17)	(13)
Total current assets	55,674	55,034
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,129	10,259
Machinery and vehicles	4,968	5,051
Land	11,433	11,433
Other	2,447	3,923
Accumulated depreciation	(13,596)	(14,021)
Total property, plant and equipment	15,381	16,644
Intangible assets	62	60
Investments and other assets		
Investment securities	3,805	4,344
Investment property	1,961	1,938
Retirement benefit asset	—	2
Deferred tax assets	92	79
Other	630	433
Allowance for doubtful accounts	(100)	(115)
Total investments and other assets	6,389	6,682
Total non-current assets	21,833	23,387
Total assets	77,508	78,422

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	8,583	7,567
Accounts payable - trade	288	260
Current portion of long-term borrowings	—	700
Income taxes payable	1,436	718
Contract liabilities	1,109	2,231
Provision for bonuses	454	492
Provision for bonuses for directors (and other officers)	96	—
Provision for warranties for completed construction	25	50
Other	2,061	1,854
Total current liabilities	14,056	13,875
Non-current liabilities		
Long-term borrowings	800	100
Retirement benefit liability	116	79
Provision for retirement benefits for directors (and other officers)	143	139
Provision for share awards for directors (and other officers)	122	87
Deferred tax liabilities	1,943	2,087
Deferred tax liabilities for land revaluation	483	483
Asset retirement obligations	16	16
Other	378	294
Total non-current liabilities	4,003	3,287
Total liabilities	18,060	17,163
Net assets		
Shareholders' equity		
Share capital	6,889	6,889
Capital surplus	1,000	1,000
Retained earnings	51,396	52,424
Treasury shares	(3,051)	(3,001)
Total shareholders' equity	56,234	57,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,017	1,436
Revaluation reserve for land	958	958
Foreign currency translation adjustment	757	1,044
Remeasurements of defined benefit plans	86	77
Total accumulated other comprehensive income	2,819	3,517
Non-controlling interests	394	429
Total net assets	59,448	61,258
Total liabilities and net assets	77,508	78,422

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales of completed construction contracts	25,722	26,578
Cost of sales of completed construction contracts	20,594	21,527
Gross profit on completed construction contracts	5,128	5,051
Selling, general and administrative expenses	2,328	2,328
Operating profit	2,799	2,722
Non-operating income		
Interest income	6	48
Dividend income	83	99
Rental income from real estate	117	110
Foreign exchange gains	89	1
Other	109	46
Total non-operating income	406	306
Non-operating expenses		
Interest expenses	2	2
Rental costs on real estate	67	66
Other	17	20
Total non-operating expenses	86	89
Ordinary profit	3,119	2,938
Profit before income taxes	3,119	2,938
Income taxes - current	971	694
Income taxes - deferred	16	(24)
Total income taxes	988	670
Profit	2,131	2,267
Profit attributable to non-controlling interests	12	39
Profit attributable to owners of parent	2,118	2,228

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,131	2,267
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	419
Foreign currency translation adjustment	338	286
Remeasurements of defined benefit plans, net of tax	(5)	(8)
Total other comprehensive income	318	698
Comprehensive income	2,449	2,966
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,436	2,926
Comprehensive income attributable to non-controlling interests	12	39

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,119	2,938
Depreciation	262	347
Increase (decrease) in allowance for doubtful accounts	7	11
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(34)	(3)
Increase (decrease) in provision for share awards for directors (and other officers)	16	(3)
Increase (decrease) in other provisions	(84)	(32)
Decrease (increase) in retirement benefit asset	12	(2)
Increase (decrease) in retirement benefit liability	(58)	(48)
Interest and dividend income	(90)	(147)
Interest expenses	2	2
Foreign exchange losses (gains)	(79)	(81)
Loss (gain) on sale of investment securities	(4)	—
Decrease (increase) in trade receivables	1,315	5,811
Decrease (increase) in costs on construction contracts in progress	(331)	(282)
Decrease (increase) in inventories	43	(112)
Increase (decrease) in contract liabilities	614	1,121
Increase (decrease) in trade payables	90	(980)
Other, net	(135)	(354)
Subtotal	4,666	8,182
Interest and dividends received	90	147
Interest paid	(2)	(2)
Income taxes paid	(761)	(1,372)
Net cash provided by (used in) operating activities	3,994	6,954
Cash flows from investing activities		
Payments into time deposits	(84)	(84)
Proceeds from withdrawal of time deposits	84	84
Purchase of investment securities	(91)	(8)
Proceeds from sale and redemption of investment securities	54	—
Purchase of property, plant and equipment	(711)	(1,655)
Proceeds from distributions from investment partnerships	55	59
Other, net	139	139
Net cash provided by (used in) investing activities	(554)	(1,465)
Cash flows from financing activities		
Proceeds from long-term borrowings	800	—
Repayments of long-term borrowings	(960)	—
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	—	17
Dividends paid	(1,000)	(1,199)
Dividends paid to non-controlling interests	—	(6)
Net cash provided by (used in) financing activities	(1,160)	(1,187)
Effect of exchange rate change on cash and cash equivalents	358	235
Net increase (decrease) in cash and cash equivalents	2,637	4,536
Cash and cash equivalents at beginning of period	27,183	29,004
Cash and cash equivalents at end of period	29,821	33,540

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)**

Information on sales and income on each reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Construction	Boiler	Total	Adjustment (Note 1)	Amounts on the consolidated statements of income (Note 2)
Net sales:					
Japan	20,036	2,947	22,983	—	22,983
Asia	2,714	23	2,738	—	2,738
Other	—	0	0	—	0
Revenue from contracts with customers	22,751	2,971	25,722	—	25,722
Sales to external customers	22,751	2,971	25,722	—	25,722
Intersegment sales or transfers	8	102	111	(111)	—
Total	22,759	3,073	25,833	(111)	25,722
Segment profit	2,624	170	2,794	4	2,799

Notes: 1. Adjustment for segment profit represents eliminations of intersegment sales or transfers.

2. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statements of income.

II. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on sales and income on each reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Construction	Boiler	Total	Adjustment (Note 1)	Amounts on the consolidated statements of income (Note 2)
Net sales:					
Japan	19,756	3,324	23,080	—	23,080
Asia	3,459	26	3,486	—	3,486
Other	—	12	12	—	12
Revenue from contracts with customers	23,215	3,363	26,578	—	26,578
Sales to external customers	23,215	3,363	26,578	—	26,578
Intersegment sales or transfers	—	76	76	(76)	—
Total	23,215	3,439	26,655	(76)	26,578
Segment profit	2,695	21	2,717	5	2,722

Notes: 1. Adjustment for segment profit represents eliminations of intersegment sales or transfers.

2. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statements of income.

Revenue Recognition

Information on revenue from contracts with customers broken down is described in the Segment Information.

3. Supplementary Information

(1) Status of Orders Received, Sales and Balance of Orders

a. Orders received

Segment	Six months ended September 30, 2022		Six months ended September 30, 2023		Increase (decrease)	Fiscal year ended March 31, 2023	
	Millions of yen	%	Millions of yen	%		Millions of yen	Millions of yen
Construction	29,339	88.4	29,007	88.7	(331)	52,722	87.6
Boiler	3,849	11.6	3,699	11.3	(150)	7,486	12.4
Total	33,188	100.0	32,706	100.0	(481)	60,209	100.0

b. Net sales

Segment	Six months ended September 30, 2022		Six months ended September 30, 2023		Increase (decrease)	Fiscal year ended March 31, 2023	
	Millions of yen	%	Millions of yen	%		Millions of yen	Millions of yen
Construction	22,751	88.4	23,215	87.3	464	49,331	88.3
Boiler	2,971	11.6	3,363	12.7	391	6,559	11.7
Total	25,722	100.0	26,578	100.0	856	55,890	100.0

c. Balance of orders

Segment	Six months ended September 30, 2022		Six months ended September 30, 2023		Increase (decrease)	Fiscal year ended March 31, 2023	
	Millions of yen	%	Millions of yen	%		Millions of yen	Millions of yen
Construction	23,049	79.9	25,644	80.6	2,595	19,852	77.3
Boiler	5,780	20.1	6,166	19.4	385	5,829	22.7
Total	28,829	100.0	31,810	100.0	2,980	25,682	100.0