

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

(% indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Six months ending September 30, 2019	183,000	30.4	4,200	(16.1)	5,000	(12.1)	3,000	(16.7)	29.76
Full year ending March 31, 2020	430,000	14.4	21,500	3.9	23,000	4.6	15,000	(41.7)	149.34

(Note) Revision of financial results forecasts from recently announced figures: None

* Notes:

(1) Significant changes in subsidiaries during the period under review: None

(2) Application of specific accounting practices for preparing consolidated quarterly financial statements: Yes

(3) Changes in accounting principles and changes or restatements of accounting estimates:

1) Changes in accounting principles due to revision of accounting standards: None

2) Changes in accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

June 30, 2019	108,325,329 shares	March 31, 2019	108,325,329 shares
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2) Total number of treasury stock at the end of the period

June 30, 2019	7,664,544 shares	March 31, 2019	6,746,565 shares
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3) Average number of shares outstanding during the period

June 30, 2019	101,326,371 shares	June 30, 2018	79,195,673 shares
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(Note) Total number of treasury stock includes the Company's stock held by the Board Incentive Plan trust under the Company's performance-linked stock remuneration program for directors and executive officers.

* Implementation status of quarterly review processes

- This quarterly summary of consolidated financial results is not subject to the quarterly review procedures stipulated under the Financial Instruments and Exchange Act.

* Explanation regarding the appropriate use of performance forecasts, and other items warranting special mention

- The performance forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Accordingly, actual performance may differ materially depending on various factors.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Period under Review

During the first three months of the current consolidated period (from April 1, 2019 to June 30, 2019), the Japanese economy recovered moderately on the back of strong corporate earnings and steady improvement in labor market conditions, despite persistent uncertainties such as the escalation of the US-China trade war and concerns regarding the impact on the global economy.

In the information and telecommunications sector, in which the MIRAIT Group operates its mainstay business, the telecommunication carriers, the key customers of the Group, are changing their business models. Specifically, in the mobile communications area, services offered through fourth-generation mobile telecommunication systems (4G) and new frequencies are expanding. In addition, new services are expected to emerge with the launch of fifth-generation mobile telecommunication systems (5G). Moreover, the business environment for the MIRAIT Group continues to evolve dramatically with the rise in demand for new solutions using Wi-Fi, sensors, cloud and other technologies in light of the upcoming full-fledged era of IoT, and the acceleration of the rebuilding of social infrastructure created during Japan's high-growth period, particularly in the Tokyo Metropolitan area where the Tokyo Olympic and Paralympic Games will be hosted next year. Meanwhile, the MIRAIT Group also faces challenges brought about by societal issues such as the aging population, shortage of labor and workstyle reforms.

In response to the structural changes in the society and the telecommunications environment, the MIRAIT Group is striving to further enhance its corporate value and to achieve growth as a "Comprehensive Engineering and Services Company". During the previous fiscal year, TTK Co., Ltd., SOLCOM Co., Ltd. and Shikokutsuken Co., Ltd. were added to the MIRAIT Group. Furthermore, with the integration of the new companies, the Group adopted a new Medium-term Management Plan for the three years starting in the fiscal year ending March 2020 (target for FYE March 2022: net sales of 450.0 bil. yen, operating income of 27.0 bil. yen (operating income ratio of 6.0%) and ROE of more than 8%). Under the new management plan, the Group is expanding operations in various business areas with growth opportunities (the "frontier domains"), such as the stock business including datacenter operations and maintenance, the environment/ energy-related business and the global business. The Group is also taking steps to boost productivity in existing businesses and to generate synergies within the Group to enhance management efficiency.

During the first three months of the current consolidated period, the MIRAIT Group won orders for facility improvement proposals to telecommunication carriers, new frequency-related work for 4G and work for the pre-launch of 5G services. The Group achieved sales growth thanks to the contribution of domestic solar power projects and electrical facility work, Lantrovision Group's global business, and the Osaka No.1 Datacenter running at full capacity.

Meanwhile, in order to further strengthen its group-oriented management structure, the MIRAIT Group merged its subsidiaries, Solcom Meister Inc. and Ainet Telecommunication Co., Ltd. in June 2019.

As for the consolidated financial results for the three months ended June 2019, orders received increased by 40.5% year-on-year to 113,012 million yen and net sales increased by 26.2% year-on-year to 83,344 million yen, due in part to the contribution of the newly acquired companies. However, operating income decreased by 40.8% year-on-year to 1,173 million yen, owing to the slowdown in utility pole renewal and access work in the NTT business and work to resolve 700MHz TV interference in the ICT Solutions business. Ordinary income decreased by 27.2% year-on-year to 1,709 million yen, and net income attributable to owners of parent decreased by 31.9% year-on-year to 910 million yen.

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the first quarter of the current consolidated fiscal period amounted to 308,016 million yen, a decrease of 23,445 million yen from the end of the previous fiscal year. This was mainly due to the decrease in accounts receivables including those from completed construction contracts and other, which more than offset the increase in cash and deposits and costs on uncompleted construction contracts and other.

Total liabilities decreased by 21,555 million yen from the end of the previous fiscal year, to 110,347 million yen. This was mainly due to the decrease in accounts payable for construction contracts and income taxes payable.

Net assets decreased by 1,889 million yen from the end of the previous fiscal year, to 197,669 million yen. The dividend payout of 2,133 million yen more than offset the increase from the net income attributable to owners of parent of 910 million yen recorded for the quarter.

As a result of the above, the equity ratio at the end of the first quarter stood at 63.2% (compared to 59.3% at the end of the previous fiscal year).

(3) Future Outlook

The consolidated financial results forecast for the fiscal year ending March 31, 2020, as announced on May 9, 2019, remains unchanged.

2. Notes to Summary Information (Explanatory Notes)

(1) Changes in Important Subsidiaries during the Period under Review

Not applicable.

(2) Application of Specific Accounting Practices for Preparing Consolidated Quarterly Financial Statements

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the current fiscal year, including the first quarter ended June 30, 2019, and then multiplying income before income taxes for the three months with the said estimated effective tax rate.

The statutory tax rate is applied if the tax expense calculated using the estimated effective tax rate lacks rationality to a significant degree.

3. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2019	Three Months Ended June 30, 2019
Assets		
Current assets		
Cash and deposits	38,206	57,095
Notes receivable, accounts receivable from completed construction contracts and other	133,364	79,432
Costs on construction contracts in progress	28,400	38,824
Investments in leases	4,983	4,691
Other	6,188	5,575
Allowance for doubtful accounts	(58)	(55)
Total current assets	211,085	185,563
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	38,079	37,622
Land	31,707	31,523
Construction in progress	699	809
Other, net	8,354	9,657
Total property, plant and equipment	78,840	79,613
Intangible assets		
Goodwill	3,220	3,119
Customer related assets	2,060	2,054
Software	1,656	1,637
Other	121	133
Total intangible assets	7,058	6,945
Investments and other assets		
Investment securities	27,123	28,019
Retirement benefit asset	2,433	2,491
Deferred tax assets	1,835	2,256
Leasehold and guarantee deposits	1,337	1,360
Other	1,890	1,930
Allowance for doubtful accounts	(144)	(163)
Total investments and other assets	34,476	35,894
Total non-current assets	120,376	122,453
Total assets	331,462	308,016

(Millions of yen)

	Fiscal Year Ended March 31, 2019	Three Months Ended June 30, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	50,894	40,516
Short-term borrowings	3,602	453
Income taxes payable	4,667	860
Lease obligations	2,958	3,254
Advances received on construction contracts in progress	5,549	5,247
Provision for loss on construction contracts	515	541
Provision for bonuses	7,035	3,799
Provision for bonuses for directors (and other officers)	148	45
Provision for warranties for completed construction	9	11
Other	13,525	12,032
Total current liabilities	88,908	66,762
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	16,544	16,539
Long-term accounts payable - other	159	149
Deferred tax liabilities	1,285	1,830
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	180	167
Provision for share-based compensation	194	216
Retirement benefit liability	17,213	17,338
Asset retirement obligations	114	115
Lease obligations	6,873	6,904
Other	385	279
Total non-current liabilities	42,994	43,584
Total liabilities	131,903	110,347
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	71,559	71,613
Retained earnings	124,287	123,160
Treasury shares	(9,684)	(11,269)
Total shareholders' equity	193,163	190,504
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,028	3,637
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	(493)	(272)
Remeasurements of defined benefit plans	836	807
Total accumulated other comprehensive income	3,272	4,073
Non-controlling interests	3,123	3,092
Total net assets	199,559	197,669
Total liabilities and net assets	331,462	308,016

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Three Months Ended June 30, 2019

(Millions of yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Net sales of completed construction contracts	66,067	83,344
Cost of sales of completed construction contracts	58,134	74,690
Gross profit on completed construction contracts	7,932	8,654
Selling, general and administrative expenses	5,950	7,481
Operating profit	1,982	1,173
Non-operating income		
Interest income	21	29
Dividend income	286	466
Surrender value of insurance policies	23	7
Share of profit of entities accounted for using equity method	43	14
Other	50	103
Total non-operating income	425	621
Non-operating expenses		
Interest expenses	0	9
Foreign exchange losses	27	54
Other	30	20
Total non-operating expenses	58	84
Ordinary profit	2,349	1,709
Extraordinary income		
Gain on sales of non-current assets	0	394
Gain on sales of investment securities	183	—
Total extraordinary income	184	394
Extraordinary losses		
Loss on retirement of non-current assets	0	21
Loss on sales of investment securities	—	31
Other	3	4
Total extraordinary losses	3	57
Profit before income taxes	2,530	2,046
Income taxes	1,155	1,133
Profit	1,375	913
Profit attributable to		
Profit attributable to owners of parent	1,337	910
Profit attributable to non-controlling interests	38	2

(Millions of yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	1,441	610
Foreign currency translation adjustment	(747)	223
Remeasurements of defined benefit plans, net of tax	(39)	(29)
Share of other comprehensive income of entities accounted for using equity method	(37)	(1)
Total other comprehensive income	617	802
Comprehensive income	1,992	1,715
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,963	1,711
Comprehensive income attributable to non-controlling interests	29	3

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

On May 9, 2019, the Board of Directors of the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act. Following the decision, the Company acquired 991,400 of its own shares of a total amount of 1,653 million yen by way of open market share repurchase.