

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
Full year ending March 31, 2020	430,000	14.4	21,500	3.9	23,000	4.6	15,000	(41.7)	147.76

(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):

December 31, 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

December 31, 2019	956,054 shares	March 31, 2019	6,746,565 shares
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- 3) Average number of shares outstanding during the period

December 31, 2019	99,581,911 shares	December 31, 2018	82,304,692 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 nine months of the current consolidated period (from April 1, 2019 to December 31, 2019), the Japanese economy continued to recover moderately on the back of strong corporate earnings and steady improvement in labor market conditions, despite the lack of visibility amid uncertainties in the global economy and the impact of natural disasters.

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 cloud, Wi-Fi 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 held very soon. Meanwhile, the MIRAIT Group 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 sustainable growth as a "Comprehensive Engineering and Services Company". Specifically, 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 nine months, the MIRAIT Group made efforts to grow facility management operations and facility improvement proposals in the NTT business, and to win orders for work in new frequencies in 4G and for the upcoming commercial launch of 5G in the Multi-carrier business. Moreover, in light of the full-scale launch of 5G, the Group participated in verification tests to for the practical application of new technologies, while launching a new training center to develop "multi-skilled engineers" who are able to handle both fixed and mobile communication-related construction and maintenance work.

Furthermore, the Group added Tokai Koei Co., Ltd. as a subsidiary to expand water and sewage construction work and promoted the completion of solar power generation projects in the Environmental & Social Innovation business, increased domestic PBX/LAN work and launched full-scale operations at the Osaka No.1 Datacenter in the ICT Solutions business, and increased sales of goods such as mobile-related peripheral materials and PCs/servers for schools, to achieve net sales growth.

As for the Company's decision to exercise the right of early redemption of the yen-denominated convertible bonds with stock acquisition rights due 2021 on December 30, 2019, all stock acquisition rights were exercised and the respective amount of the Company's treasury stock were transferred by the redemption date.

The consolidated financial results for the nine months ended December 2019 reflect the contribution of subsidiaries that were acquired in the previous fiscal year (TKK Co., Ltd., SOLCOM Co., Ltd. and Shikokutsuken Co., Ltd.). Orders received increased by 25.2% year-on-year to 334,547 million yen and net sales increased by 25.4% year-on-year to 288,507 million yen. However, operating income decreased by 8.1% year-on-year to 9,064 million yen, ordinary income decreased by 4.5% year-on-year to 10,362 million yen, and net income attributable to owners of parent decreased by 27.8% year-on-year to 6,304 million yen, due delays in the completion of certain projects, among other factors.

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

Total assets at the end of the third quarter of the current consolidated fiscal period amounted to 318,675 million yen, a decrease of 12,787 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, which more than offset the increase in costs on construction contracts in progress.

Total liabilities decreased by 23,479 million yen from the end of the previous fiscal year to 108,423 million yen. This was mainly due to the early redemption of convertible bonds, as well as the decrease in accounts payable for construction contracts and income taxes payable.

Net assets increased by 10,692 million yen from the end of the previous fiscal year to 210,251 million yen. Although the Company paid dividends of 3,962 million yen repurchased its own shares of 10,453 million yen, this was more than offset by the net income attributable to owners of parent of 6,304 million yen and the transfer of treasury shares of 18,647 million yen due to the early repayment of convertible bonds.

As a result of the above, the equity ratio at the end of the third quarter stood at 65.0% (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 third quarter ended December 31, 2019, and then multiplying income before income taxes for the nine 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	Nine Months Ended December 31, 2019
Assets		
Current assets		
Cash and deposits	38,206	33,340
Notes receivable, accounts receivable from completed construction contracts and other	133,364	92,481
Costs on construction contracts in progress	28,400	52,214
Investments in leases	4,983	4,620
Other	6,188	8,500
Allowance for doubtful accounts	(58)	(389)
Total current assets	211,085	190,768
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	38,079	39,226
Land	31,707	32,806
Construction in progress	699	611
Other, net	8,354	9,644
Total property, plant and equipment	78,840	82,289
Intangible assets		
Customer related assets	2,060	1,900
Goodwill	3,220	2,981
Software	1,656	1,617
Other	121	145
Total intangible assets	7,058	6,644
Investments and other assets		
Investment securities	27,123	31,185
Retirement benefit asset	2,433	2,571
Deferred tax assets	1,835	2,156
Leasehold and guarantee deposits	1,337	1,382
Other	1,890	1,843
Allowance for doubtful accounts	(144)	(166)
Total investments and other assets	34,476	38,972
Total non-current assets	120,376	127,906
Total assets	331,462	318,675

(Millions of yen)

	Fiscal Year Ended March 31, 2019	Nine Months Ended December 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	50,894	47,011
Short-term borrowings	3,602	10,530
Income taxes payable	4,667	733
Lease obligations	2,958	3,129
Advances received on construction contracts in progress	5,549	5,052
Provision for loss on construction contracts	515	1,191
Provision for bonuses	7,035	3,398
Provision for bonuses for directors (and other officers)	148	70
Provision for warranties for completed construction	9	8
Other	13,525	8,805
Total current liabilities	88,908	79,931
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	16,544	—
Long-term accounts payable - other	159	208
Lease obligations	6,873	6,592
Deferred tax liabilities	1,285	2,575
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	180	117
Provision for share based compensation	194	257
Retirement benefit liability	17,213	17,530
Asset retirement obligations	114	171
Other	385	995
Total non-current liabilities	42,994	28,492
Total liabilities	131,903	108,423
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	71,559	69,474
Retained earnings	124,287	126,630
Treasury shares	(9,684)	(1,381)
Total shareholders' equity	193,163	201,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,028	5,858
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	(493)	(1,108)
Remeasurements of defined benefit plans	836	747
Total accumulated other comprehensive income	3,272	5,399
Non-controlling interests	3,123	3,128
Total net assets	199,559	210,251
Total liabilities and net assets	331,462	318,675

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Nine Months Ended December 31, 2019

(Millions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Net sales of completed construction contracts	230,051	288,507
Cost of sales of completed construction contracts	201,752	257,268
Gross profit on completed construction contracts	28,299	31,239
Selling, general and administrative expenses	18,438	22,175
Operating profit	9,860	9,064
Non-operating income		
Interest income	72	81
Dividend income	599	905
Surrender value of insurance policies	74	87
Share of profit of entities accounted for using equity method	216	69
Other	183	358
Total non-operating income	1,147	1,501
Non-operating expenses		
Interest expenses	7	36
Foreign exchange losses	67	30
Other	82	137
Total non-operating expenses	158	204
Ordinary profit	10,850	10,362
Extraordinary income		
Gain on sales of non-current assets	817	402
Gain on sales of investment securities	615	26
Gain on bargain purchase	812	—
Other	322	—
Total extraordinary income	2,568	429
Extraordinary losses		
Loss on retirement of non-current assets	106	28
Loss on sales of investment securities	7	57
Loss on change in equity	62	—
Other	88	76
Total extraordinary losses	265	162
Profit before income taxes	13,153	10,629
Income taxes	4,331	4,153
Profit	8,822	6,476
Profit attributable to		
Profit attributable to owners of parent	8,727	6,304
Profit attributable to non-controlling interests	94	171

(Millions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,243)	2,832
Foreign currency translation adjustment	(393)	(618)
Remeasurements of defined benefit plans, net of tax	(122)	(88)
Share of other comprehensive income of entities accounted for using equity method	(26)	(3)
Total other comprehensive income	(1,785)	2,120
Comprehensive income	7,036	8,597
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,953	8,431
Comprehensive income attributable to non-controlling interests	83	165

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

1. 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 which the Company purchased 1,500,000 shares of its common stock of a total amount of 2,488 million yen in the open market. As a result, the Company's treasury stock increased by the same amount.
2. On September 10, 2019, the Board of Directors of the Company resolved to repurchase its own shares through the off-hours trading system (ToSTNet-3) pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act, following which the Company purchased 5,000,000 shares of its common stock of a total amount of 7,965 million yen through ToSTNet-3. As a result, the Company's treasury stock increased by the same amount.
3. On December 13, 2016, the Board of Directors of the Company resolved to issue convertible bonds with stock acquisition rights, following which the Company had issued yen-denominated convertible bonds due 2021. The Company transferred 12,173,508 shares of treasury stock of a total amount of 18,647 million yen to holders of convertible bonds that exercised their stock acquisition rights. As a result, the Company's treasury stock decreased by the same amount, and capital surplus decreased by 2,147 million yen.