

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

November 12, 2020

Company name: TOYO KANETSU K.K.
 Stock exchange listing: Tokyo
 Stock code: 6369 URL <https://www.toyokanetsu.co.jp>
 Representative: President and Representative Director Toru Yanagawa
 Inquiries: Executive Officer Takeshi Yonehara TEL 03-5857-3333
 Scheduled date to file Quarterly Securities Report: November 13, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

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, 2020	20,178	(1.6)	1,056	43.2	1,164	21.9	736	7.9
Six months ended September 30, 2019	20,501	19.9	737	–	955	290.2	682	460.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	87.14		–	
Six months ended September 30, 2019	76.03		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	56,847	35,886	63.1	4,247.71
As of March 31, 2020	60,985	34,602	56.7	4,095.51

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2020	–	0.00	–	100.00	100.00
Year ending March 31, 2021	–	0.00			
Year ending March 31, 2021 (Forecast)			–	100.00	100.00

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	48,100	3.4	2,160	(16.7)	2,520	(15.2)	1,630	(5.1)	185.84

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2020	9,323,074 shares	As of March 31, 2020	9,323,074 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	874,752 shares	As of March 31, 2020	874,440 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	8,448,831 shares	Six months ended September 30, 2019	8,975,287 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	11,507	10,220
Notes and accounts receivable - trade	15,413	9,366
Investments in leases	937	734
Merchandise and finished goods	27	38
Work in process	5,179	5,816
Raw materials and supplies	1,977	2,162
Other	435	814
Allowance for doubtful accounts	(16)	(12)
Total current assets	35,461	29,141
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,218	4,311
Machinery, equipment and vehicles, net	1,016	924
Tools, furniture and fixtures, net	364	336
Land	10,568	10,550
Construction in progress	253	335
Other, net	20	21
Total property, plant and equipment	16,442	16,480
Intangible assets	381	355
Investments and other assets		
Investment securities	8,013	10,214
Deferred tax assets	45	28
Retirement benefit asset	38	23
Other	889	887
Allowance for doubtful accounts	(286)	(285)
Total investments and other assets	8,699	10,869
Total non-current assets	25,523	27,705
Total assets	60,985	56,847

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	919	784
Short-term borrowings	7,849	4,120
Current portion of long-term borrowings	619	100
Accrued expenses	4,763	3,119
Income taxes payable	553	396
Advances received	2,790	2,384
Provision for bonuses	267	298
Provision for loss on order received	241	38
Provision for warranties for completed construction	389	419
Other	455	607
Total current liabilities	18,848	12,268
Non-current liabilities		
Bonds payable	–	500
Long-term borrowings	4,488	4,495
Deferred tax liabilities	1,520	2,158
Deferred tax liabilities for land revaluation	1,095	1,095
Retirement benefit liability	152	166
Asset retirement obligations	235	234
Other	40	40
Total non-current liabilities	7,534	8,691
Total liabilities	26,382	20,960
Net assets		
Shareholders' equity		
Share capital	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	15,224	15,107
Treasury shares	(2,355)	(2,356)
Total shareholders' equity	32,722	32,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,666	4,061
Deferred gains or losses on hedges	0	8
Revaluation reserve for land	106	106
Foreign currency translation adjustment	(729)	(781)
Remeasurements of defined benefit plans	(165)	(113)
Total accumulated other comprehensive income	1,878	3,281
Non-controlling interests	1	0
Total net assets	34,602	35,886
Total liabilities and net assets	60,985	56,847

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	20,501	20,178
Cost of sales	16,495	15,863
Gross profit	4,006	4,315
Selling, general and administrative expenses	3,268	3,258
Operating profit	737	1,056
Non-operating income		
Interest income	5	8
Dividend income	208	183
Other	53	40
Total non-operating income	267	232
Non-operating expenses		
Interest expenses	29	33
Foreign exchange losses	12	70
Other	8	21
Total non-operating expenses	50	125
Ordinary profit	955	1,164
Extraordinary income		
Gain on sales of investment securities	290	–
Other	0	0
Total extraordinary income	291	0
Extraordinary losses		
Loss on valuation of investment securities	93	21
Merger expenses	22	–
Loss on disaster	–	9
Other	7	2
Total extraordinary losses	123	33
Profit before income taxes	1,123	1,130
Income taxes - current	278	373
Income taxes - deferred	163	21
Total income taxes	441	394
Profit	682	736
Profit attributable to		
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	682	736
Other comprehensive income		
Valuation difference on available-for-sale securities	340	1,395
Deferred gains or losses on hedges	–	8
Foreign currency translation adjustment	(7)	(52)
Remeasurements of defined benefit plans, net of tax	10	51
Total other comprehensive income	343	1,403
Comprehensive income	1,025	2,139
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,025	2,139
Comprehensive income attributable to non-controlling interests	(0)	(0)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,123	1,130
Depreciation	367	369
Increase (decrease) in allowance for doubtful accounts	(8)	(5)
Decrease (increase) in retirement benefit asset	220	44
Increase (decrease) in retirement benefit liability	(153)	49
Increase (decrease) in provision for loss on order received	(13)	(203)
Increase (decrease) in provision for warranties for completed construction	(134)	29
Interest and dividend income	(213)	(192)
Interest expenses	29	33
Merger expenses	22	–
Loss on disaster	–	9
Foreign exchange losses (gains)	18	73
Loss (gain) on valuation of investment securities	93	21
Loss (gain) on sales of investment securities	(290)	–
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	6	0
Decrease (increase) in trade receivables	10,104	5,998
Decrease (increase) in investments in leases	293	179
Decrease (increase) in inventories	(1,759)	(837)
Decrease (increase) in advance payments - trade	125	(320)
Increase (decrease) in trade payables	(3,516)	(1,748)
Increase (decrease) in advances received	1,278	(406)
Other, net	(581)	49
Subtotal	7,012	4,276
Interest and dividends received	213	192
Interest paid	(33)	(35)
Income taxes paid	(539)	(481)
Payments for Merger expenses	(22)	–
Payments associated with disaster loss	–	(23)
Net cash provided by (used in) operating activities	6,630	3,928
Cash flows from investing activities		
Payments into time deposits	(115)	(51)
Proceeds from withdrawal of time deposits	76	48
Purchase of non-current assets	(769)	(372)
Proceeds from sales of non-current assets	0	1
Purchase of investment securities	(97)	(212)
Proceeds from sales and redemption of investment securities	440	–
Other, net	1	(1)
Net cash provided by (used in) investing activities	(463)	(588)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,500)	(3,729)
Repayments of long-term borrowings	(19)	(512)
Proceeds from issuance of bonds	–	500
Proceeds from disposal of treasury shares	149	5
Purchase of treasury shares	(350)	(7)
Dividends paid	(900)	(848)
Net cash provided by (used in) financing activities	(4,620)	(4,591)
Effect of exchange rate change on cash and cash equivalents	(13)	(39)
Net increase (decrease) in cash and cash equivalents	1,533	(1,290)
Cash and cash equivalents at beginning of period	7,609	11,402
Cash and cash equivalents at end of period	9,143	10,112