

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 13, 2018

Company name: TOYO KANETSU K.K.
 Stock exchange listing: Tokyo
 Stock code: 6369 URL <http://www.toyokanetsu.co.jp>
 Representative: President and Representative Director Toru Yanagawa
 Executive Officer, General Manager of
 Inquiries: Financial Planning Department, Corporate Management Division Takeshi Yonehara TEL 03-5857-3333
 Scheduled date to file Quarterly Securities Report: February 14, 2018
 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 nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(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	%
Nine months ended December 31, 2017	31,546	9.3	2,035	(9.6)	2,428	(8.0)	2,127	(28.7)
Nine months ended December 31, 2016	28,849	(15.8)	2,252	(10.3)	2,639	(8.3)	2,985	70.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	225.61		–	
Nine months ended December 31, 2016	293.96		–	

(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the earnings per share is calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	56,181	36,857	65.6	3,961.89
As of March 31, 2017	53,228	35,481	66.7	3,702.00

(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the net assets per share is calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	0.00	–	12.00	12.00
Year ending March 31, 2018	–	0.00	–		
Year ending March 31, 2018 (Forecast)				100.00	100.00

(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the forecast for annual dividends per share for the year ending March 31, 2018 takes the share consolidation into account.

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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	44,900	7.1	2,570	(16.6)	2,890	(16.0)	2,200	(41.3)	232.32

(Note) The forecast for earnings per share for the year ending March 31, 2018 takes the share consolidation into account.

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2017
(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 December 31, 2017	9,703,074 shares	As of March 31, 2017	10,303,074 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	400,289 shares	As of March 31, 2017	718,748 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	9,431,914 shares	Nine months ended December 31, 2016	10,154,589 shares
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(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, (i) the total number of issued shares at the end of the period, (ii) the number of treasury shares at the end of the period, and (iii) the average number of shares during the period, are calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	6,811	7,563
Notes and accounts receivable - trade	12,824	12,876
Lease investment assets	1,526	1,867
Securities	100	600
Merchandise and finished goods	54	40
Work in process	4,140	4,566
Raw materials and supplies	1,649	1,658
Deferred tax assets	582	201
Other	872	435
Allowance for doubtful accounts	(83)	(24)
Total current assets	28,479	29,785
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,578	3,489
Machinery, equipment and vehicles, net	1,132	1,041
Tools, furniture and fixtures, net	288	313
Land	10,965	10,780
Construction in progress	119	50
Other, net	0	0
Total property, plant and equipment	16,084	15,674
Intangible assets	418	390
Investments and other assets		
Investment securities	7,325	9,441
Deferred tax assets	41	33
Net defined benefit asset	358	287
Other	788	862
Allowance for doubtful accounts	(267)	(293)
Total investments and other assets	8,245	10,331
Total non-current assets	24,748	26,396
Total assets	53,228	56,181

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,347	2,137
Short-term loans payable	2,397	6,645
Current portion of long-term loans payable	60	30
Accrued expenses	4,324	2,739
Income taxes payable	647	153
Deferred tax liabilities	–	5
Advances received	1,173	923
Provision for bonuses	258	4
Provision for loss on order received	674	86
Provision for warranties for completed construction	512	540
Other	709	915
Total current liabilities	13,104	14,181
Non-current liabilities		
Long-term loans payable	1,095	1,080
Deferred tax liabilities	1,692	2,176
Deferred tax liabilities for land revaluation	1,121	1,121
Net defined benefit liability	364	400
Asset retirement obligations	332	327
Other	37	37
Total non-current liabilities	4,642	5,142
Total liabilities	17,747	19,324
Net assets		
Shareholders' equity		
Capital stock	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	16,447	15,486
Treasury shares	(2,323)	(1,394)
Total shareholders' equity	33,978	33,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992	3,489
Deferred gains or losses on hedges	(14)	–
Revaluation reserve for land	163	163
Foreign currency translation adjustment	(652)	(715)
Remeasurements of defined benefit plans	14	(26)
Total accumulated other comprehensive income	1,503	2,911
Non-controlling interests	–	1
Total net assets	35,481	36,857
Total liabilities and net assets	53,228	56,181

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

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	28,849	31,546
Cost of sales	22,648	25,570
Gross profit	6,201	5,976
Selling, general and administrative expenses	3,949	3,940
Operating profit	2,252	2,035
Non-operating income		
Interest income	16	8
Dividend income	246	280
Foreign exchange gains	17	46
Other	133	98
Total non-operating income	414	435
Non-operating expenses		
Interest expenses	14	27
Other	13	15
Total non-operating expenses	28	42
Ordinary profit	2,639	2,428
Extraordinary income		
Gain on sales of non-current assets	2,315	95
Gain on sales of investment securities	2	320
Other	1	-
Total extraordinary income	2,319	415
Extraordinary losses		
Loss on sales of non-current assets	179	2
Loss on retirement of non-current assets	377	1
Loss on valuation of golf club membership	-	2
Head office relocation expenses	224	-
Other	34	0
Total extraordinary losses	816	6
Profit before income taxes	4,141	2,837
Income taxes - current	531	462
Income taxes - deferred	624	247
Total income taxes	1,156	709
Profit	2,985	2,127
Profit attributable to		
Profit attributable to owners of parent	2,985	2,127
Other comprehensive income		
Valuation difference on available-for-sale securities	303	1,497
Deferred gains or losses on hedges	(0)	14
Foreign currency translation adjustment	(174)	(62)
Remeasurements of defined benefit plans, net of tax	(38)	(41)
Total other comprehensive income	89	1,407
Comprehensive income	3,074	3,535
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,074	3,535