

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

May 11, 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 of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to file Securities Report: June 28, 2018
 Scheduled date to commence dividend payments: June 29, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	%
Year ended March 31, 2018	41,758	(0.4)	2,265	(26.5)	2,646	(23.1)	2,362	(36.9)
Year ended March 31, 2017	41,932	(10.0)	3,080	1.9	3,441	6.6	3,746	96.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	251.26	–	6.5	4.8	5.4
Year ended March 31, 2017	373.78	–	10.7	6.6	7.3

(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 March 31, 2018	56,298	36,666	65.1	3,941.68
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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	3,726	(85)	2,032	12,420
Year ended March 31, 2017	(2,131)	(1,714)	(2,820)	6,810

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	0.00	–	12.00	12.00	1,150	32.1	3.4
Year ended March 31, 2018	–	0.00	–	100.00	100.00	930	39.8	2.6
Year ending March 31, 2019 (Forecast)	–	0.00	–	100.00	100.00		42.5	

(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 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, 2019 (from April 1, 2018 to March 31, 2019)

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	52,500	25.7	3,020	33.3	3,340	26.2	2,210	(6.4)	235.06

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2018	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 March 31, 2018	401,043 shares	As of March 31, 2017	718,748 shares
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Average number of shares during the period

Year ended March 31, 2018	9,401,990 shares	Year ended March 31, 2017	10,023,034 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.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	6,811	12,421
Notes and accounts receivable - trade	12,824	9,387
Lease investment assets	1,526	1,781
Securities	100	500
Merchandise and finished goods	54	40
Work in process	4,140	3,819
Raw materials and supplies	1,649	1,640
Deferred tax assets	582	506
Other	872	494
Allowance for doubtful accounts	(83)	(21)
Total current assets	28,479	30,570
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,578	3,457
Machinery, equipment and vehicles, net	1,132	1,152
Tools, furniture and fixtures, net	288	282
Land	10,965	10,707
Construction in progress	119	110
Other, net	0	0
Total property, plant and equipment	16,084	15,710
Intangible assets	418	368
Investments and other assets		
Investment securities	7,325	8,730
Deferred tax assets	41	33
Net defined benefit asset	358	398
Other	788	778
Allowance for doubtful accounts	(267)	(292)
Total investments and other assets	8,245	9,649
Total non-current assets	24,748	25,727
Total assets	53,228	56,298

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,347	2,033
Short-term loans payable	2,397	4,604
Current portion of long-term loans payable	60	15
Accrued expenses	4,324	3,380
Income taxes payable	647	316
Advances received	1,173	417
Provision for bonuses	258	242
Provision for loss on order received	674	183
Provision for warranties for completed construction	512	580
Other	709	924
Total current liabilities	13,104	12,698
Non-current liabilities		
Long-term loans payable	1,095	3,080
Deferred tax liabilities	1,692	2,071
Deferred tax liabilities for land revaluation	1,121	1,107
Net defined benefit liability	364	325
Asset retirement obligations	332	321
Other	37	27
Total non-current liabilities	4,642	6,933
Total liabilities	17,747	19,632
Net assets		
Shareholders' equity		
Capital stock	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	16,447	15,750
Treasury shares	(2,323)	(1,397)
Total shareholders' equity	33,978	34,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992	2,995
Deferred gains or losses on hedges	(14)	–
Revaluation reserve for land	163	133
Foreign currency translation adjustment	(652)	(676)
Remeasurements of defined benefit plans	14	5
Total accumulated other comprehensive income	1,503	2,458
Non-controlling interests	–	0
Total net assets	35,481	36,666
Total liabilities and net assets	53,228	56,298

Consolidated statements of income and consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	41,932	41,758
Cost of sales	33,660	34,172
Gross profit	8,272	7,585
Selling, general and administrative expenses	5,191	5,319
Operating profit	3,080	2,265
Non-operating income		
Interest income	20	11
Dividend income	248	283
Foreign exchange gains	–	5
Gain on investments in silent partnership	60	–
Miscellaneous income	136	134
Total non-operating income	466	434
Non-operating expenses		
Interest expenses	20	33
Foreign exchange losses	69	–
Miscellaneous loss	15	19
Total non-operating expenses	105	53
Ordinary profit	3,441	2,646
Extraordinary income		
Gain on sales of non-current assets	2,315	98
Gain on sales of investment securities	2	320
Other	1	–
Total extraordinary income	2,319	418
Extraordinary losses		
Loss on sales of non-current assets	179	–
Loss on retirement of non-current assets	401	19
Impairment loss	–	72
Head office relocation expenses	226	–
Other	2	2
Total extraordinary losses	809	94
Profit before income taxes	4,951	2,971
Income taxes - current	818	582
Income taxes - deferred	386	26
Total income taxes	1,205	609
Profit	3,746	2,362
Profit attributable to		
Profit attributable to owners of parent	3,746	2,362
Loss attributable to non-controlling interests	–	(0)
Other comprehensive income		
Valuation difference on available-for-sale securities	203	1,003
Deferred gains or losses on hedges	(14)	14
Foreign currency translation adjustment	(13)	(23)
Remeasurements of defined benefit plans, net of tax	2	(9)
Total other comprehensive income	177	985
Comprehensive income	3,923	3,347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,923	3,347
Comprehensive income attributable to non-controlling interests	–	(0)

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,580	1,273	15,170	(2,887)	32,136
Changes of items during period					
Dividends of surplus			(514)		(514)
Profit attributable to owners of parent			3,746		3,746
Reversal of revaluation reserve for land			914		914
Purchase of treasury shares				(2,304)	(2,304)
Retirement of treasury shares			(2,868)	2,868	–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,277	563	1,841
Balance at end of current period	18,580	1,273	16,447	(2,323)	33,978

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,788	–	1,077	(639)	12	2,239	34,376
Changes of items during period							
Dividends of surplus							(514)
Profit attributable to owners of parent							3,746
Reversal of revaluation reserve for land							914
Purchase of treasury shares							(2,304)
Retirement of treasury shares							–
Net changes of items other than shareholders' equity	203	(14)	(914)	(13)	2	(736)	(736)
Total changes of items during period	203	(14)	(914)	(13)	2	(736)	1,104
Balance at end of current period	1,992	(14)	163	(652)	14	1,503	35,481

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,580	1,273	16,447	(2,323)	33,978
Changes of items during period					
Dividends of surplus			(1,150)		(1,150)
Profit attributable to owners of parent			2,362		2,362
Reversal of revaluation reserve for land			30		30
Purchase of treasury shares				(1,013)	(1,013)
Retirement of treasury shares			(1,939)	1,939	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(697)	926	229
Balance at end of current period	18,580	1,273	15,750	(1,397)	34,207

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,992	(14)	163	(652)	14	1,503	-	35,481
Changes of items during period								
Dividends of surplus								(1,150)
Profit attributable to owners of parent								2,362
Reversal of revaluation reserve for land								30
Purchase of treasury shares								(1,013)
Retirement of treasury shares								-
Net changes of items other than shareholders' equity	1,003	14	(30)	(23)	(9)	955	0	956
Total changes of items during period	1,003	14	(30)	(23)	(9)	955	0	1,185
Balance at end of current period	2,995	-	133	(676)	5	2,458	0	36,666

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,951	2,971
Depreciation	691	737
Impairment loss	–	72
Amortization of goodwill	62	–
Increase (decrease) in allowance for doubtful accounts	72	(37)
Increase (decrease) in net defined benefit liability	(86)	(28)
Decrease (increase) in net defined benefit asset	2	(58)
Increase (decrease) in provision for loss on order received	165	(489)
Increase (decrease) in provision for warranties for completed construction	330	68
Interest and dividend income	(269)	(294)
Interest expenses	20	33
Head office transfer cost	226	–
Foreign exchange losses (gains)	34	18
Loss (gain) on sales of investment securities	(2)	(320)
Loss (gain) on sales of non-current assets	(2,136)	(98)
Loss on retirement of non-current assets	401	19
Decrease (increase) in notes and accounts receivable - trade	(3,380)	3,375
Decrease (increase) in lease investment assets	0	(257)
Decrease (increase) in inventories	(1,833)	342
Decrease (increase) in advance payments	(286)	252
Increase (decrease) in notes and accounts payable - trade	99	(1,272)
Increase (decrease) in advances received	(303)	(773)
Other, net	(119)	74
Subtotal	(1,357)	4,336
Interest and dividend income received	272	294
Interest expenses paid	(20)	(32)
Payments for Head office transfer	(233)	–
Income taxes paid	(791)	(872)
Net cash provided by (used in) operating activities	(2,131)	3,726
Cash flows from investing activities		
Payments into time deposits	(202)	–
Proceeds from withdrawal of time deposits	232	–
Proceeds from sales and redemption of securities	500	100
Purchase of non-current assets	(5,160)	(436)
Proceeds from sales of non-current assets	3,647	295
Purchase of investment securities	(887)	(634)
Proceeds from sales and redemption of investment securities	6	500
Other, net	148	91
Net cash provided by (used in) investing activities	(1,714)	(85)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	56	2,250
Proceeds from long-term loans payable	–	2,000
Repayments of long-term loans payable	(60)	(60)
Purchase of treasury shares	(2,304)	(1,013)
Proceeds from share issuance to non-controlling shareholders	–	1
Cash dividends paid	(512)	(1,145)
Net cash provided by (used in) financing activities	(2,820)	2,032
Effect of exchange rate change on cash and cash equivalents	(130)	(64)
Net increase (decrease) in cash and cash equivalents	(6,796)	5,609
Cash and cash equivalents at beginning of period	13,606	6,810
Cash and cash equivalents at end of period	6,810	12,420