

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 9, 2018

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
 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: November 12, 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 six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	17,100	(22.6)	(57)	–	244	(87.2)	121	(91.8)
Six months ended September 30, 2017	22,100	11.5	1,634	(21.9)	1,910	(14.2)	1,482	(2.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	13.32		–	
Six months ended September 30, 2017	156.57		–	

(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 September 30, 2018	53,336	35,040	65.7	3,876.09
As of March 31, 2018	55,818	36,666	65.7	3,941.68

(Note) “Partial revision of Tax Effect Accounting” (Corporate Accounting Standard No.28, February 16, 2018) had been reflected from the year ending March 31, 2019, the consolidated financial position of previous fiscal year is shown as revision reflected amount.

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, 2018	–	0.00	–	100.00	100.00
Year ending March 31, 2019	–	0.00	–	–	–
Year ending March 31, 2019 (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.

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	47,900	14.7	2,270	0.2	2,620	(1.0)	1,700	(28.0)	184.54

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(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, 2018	9,323,074 shares	As of March 31, 2018	9,703,074 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	282,996 shares	As of March 31, 2018	401,043 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, 2018	9,138,541 shares	Six months ended September 30, 2017	9,469,870 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, the average number of shares during the period is 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, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	12,421	7,129
Notes and accounts receivable - trade	9,387	11,266
Lease investment assets	1,781	1,665
Securities	500	–
Merchandise and finished goods	40	38
Work in process	3,819	4,765
Raw materials and supplies	1,640	1,611
Other	494	570
Allowance for doubtful accounts	(21)	(10)
Total current assets	30,064	27,036
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,457	3,397
Machinery, equipment and vehicles, net	1,152	1,132
Tools, furniture and fixtures, net	282	314
Land	10,707	10,574
Construction in progress	110	187
Other, net	0	1
Total property, plant and equipment	15,710	15,607
Intangible assets	368	390
Investments and other assets		
Investment securities	8,730	9,302
Deferred tax assets	58	66
Net defined benefit asset	398	348
Other	778	877
Allowance for doubtful accounts	(292)	(292)
Total investments and other assets	9,674	10,301
Total non-current assets	25,753	26,300
Total assets	55,818	53,336

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,033	1,587
Short-term loans payable	4,604	4,648
Current portion of long-term loans payable	15	–
Accrued expenses	3,380	2,943
Income taxes payable	316	232
Advances received	417	1,023
Provision for bonuses	242	214
Provision for loss on order received	183	168
Provision for warranties for completed construction	580	491
Other	924	484
Total current liabilities	12,698	11,794
Non-current liabilities		
Long-term loans payable	3,080	3,165
Deferred tax liabilities	1,591	1,628
Deferred tax liabilities for land revaluation	1,107	1,095
Net defined benefit liability	325	340
Asset retirement obligations	321	242
Other	27	27
Total non-current liabilities	6,453	6,501
Total liabilities	19,151	18,295
Net assets		
Shareholders' equity		
Capital stock	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	15,750	13,645
Treasury shares	(1,397)	(1,076)
Total shareholders' equity	34,207	32,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,995	3,252
Revaluation reserve for land	133	106
Foreign currency translation adjustment	(676)	(738)
Remeasurements of defined benefit plans	5	(2)
Total accumulated other comprehensive income	2,458	2,617
Non-controlling interests	0	0
Total net assets	36,666	35,040
Total liabilities and net assets	55,818	53,336

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

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	22,100	17,100
Cost of sales	17,837	14,509
Gross profit	4,263	2,591
Selling, general and administrative expenses	2,628	2,648
Operating profit (loss)	1,634	(57)
Non-operating income		
Interest income	6	6
Dividend income	208	240
Foreign exchange gains	19	14
Other	70	74
Total non-operating income	305	335
Non-operating expenses		
Interest expenses	18	23
Other	11	10
Total non-operating expenses	29	34
Ordinary profit	1,910	244
Extraordinary income		
Gain on sales of non-current assets	94	6
Gain on sales of investment securities	–	74
Gain on bargain purchase	–	87
Total extraordinary income	94	169
Extraordinary losses		
Loss on sales of non-current assets	–	6
Loss on valuation of investment securities	–	190
Other	2	27
Total extraordinary losses	2	225
Profit before income taxes	2,002	189
Income taxes - current	363	158
Income taxes - deferred	155	(90)
Total income taxes	519	67
Profit	1,482	121
Profit attributable to		
Profit attributable to owners of parent	1,482	121
Loss attributable to non-controlling interests	–	(0)
Other comprehensive income		
Valuation difference on available-for-sale securities	768	256
Deferred gains or losses on hedges	14	–
Foreign currency translation adjustment	(75)	(62)
Remeasurements of defined benefit plans, net of tax	(27)	(8)
Total other comprehensive income	680	185
Comprehensive income	2,163	307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,163	307
Comprehensive income attributable to non-controlling interests	–	(0)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	2,002	189
Depreciation	373	348
Gain on bargain purchase	–	(87)
Increase (decrease) in allowance for doubtful accounts	5	(12)
Decrease (increase) in net defined benefit asset	13	35
Increase (decrease) in net defined benefit liability	16	12
Increase (decrease) in provision for loss on order received	(454)	(14)
Increase (decrease) in provision for warranties for completed construction	43	(89)
Interest and dividend income	(215)	(247)
Interest expenses	18	23
Foreign exchange losses (gains)	(24)	43
Loss (gain) on valuation of investment securities	–	190
Loss (gain) on sales of investment securities	–	(74)
Loss on retirement of non-current assets	1	1
Loss (gain) on sales of non-current assets	(94)	(0)
Decrease (increase) in notes and accounts receivable - trade	1,172	(1,736)
Decrease (increase) in lease investment assets	(254)	68
Decrease (increase) in inventories	302	(873)
Decrease (increase) in advance payments	441	68
Increase (decrease) in notes and accounts payable - trade	(1,078)	(868)
Increase (decrease) in advances received	(452)	623
Other, net	170	(520)
Subtotal	1,988	(2,920)
Interest and dividend income received	215	246
Interest expenses paid	(16)	(23)
Income taxes paid	(557)	(271)
Net cash provided by (used in) operating activities	1,630	(2,968)
Cash flows from investing activities		
Proceeds from sales and redemption of securities	100	500
Purchase of non-current assets	(238)	(484)
Proceeds from sales of non-current assets	256	330
Purchase of investment securities	(634)	(392)
Proceeds from sales and redemption of investment securities	–	74
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(373)
Other, net	(0)	(40)
Net cash provided by (used in) investing activities	(516)	(385)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,241	–
Repayments of long-term loans payable	(30)	(15)
Purchase of treasury shares	(503)	(1,002)
Cash dividends paid	(1,143)	(924)
Net cash provided by (used in) financing activities	2,564	(1,942)
Effect of exchange rate change on cash and cash equivalents	(0)	3
Net increase (decrease) in cash and cash equivalents	3,678	(5,292)
Cash and cash equivalents at beginning of period	6,810	12,420
Cash and cash equivalents at end of period	10,488	7,127