

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 13, 2019

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: February 14, 2019
 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, 2018 (from April 1, 2018 to December 31, 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 | % |
| Nine months ended December 31, 2018 | 26,963 | (14.5) | (240) | – | 85 | (96.5) | (68) | – |
| Nine months ended December 31, 2017 | 31,546 | 9.3 | 2,035 | (9.6) | 2,428 | (8.0) | 2,127 | (28.7) |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended December 31, 2018 | (7.54) | | – | |
| Nine months ended December 31, 2017 | 225.61 | | – | |

(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, 2018 | 55,566 | 33,207 | 59.8 | 3,673.34 |
| 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 nine months ended December 31, 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 December 31, 2018 | 9,323,074 shares | As of March 31, 2018 | 9,703,074 shares |
|-------------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|----------------------|----------------|
| As of December 31, 2018 | 283,511 shares | As of March 31, 2018 | 401,043 shares |
|-------------------------|----------------|----------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|------------------|-------------------------------------|------------------|
| Nine months ended December 31, 2018 | 9,108,896 shares | Nine months ended December 31, 2017 | 9,431,914 shares |
|-------------------------------------|------------------|-------------------------------------|------------------|

(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 December 31, 2018 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,421 | 7,829 |
| Notes and accounts receivable - trade | 9,387 | 14,011 |
| Lease investment assets | 1,781 | 1,566 |
| Securities | 500 | – |
| Merchandise and finished goods | 40 | 32 |
| Work in process | 3,819 | 5,682 |
| Raw materials and supplies | 1,640 | 1,667 |
| Other | 494 | 767 |
| Allowance for doubtful accounts | (21) | (15) |
| Total current assets | 30,064 | 31,539 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 3,457 | 3,454 |
| Machinery, equipment and vehicles, net | 1,152 | 1,082 |
| Tools, furniture and fixtures, net | 282 | 314 |
| Land | 10,707 | 10,556 |
| Construction in progress | 110 | 366 |
| Other, net | 0 | 14 |
| Total property, plant and equipment | 15,710 | 15,789 |
| Intangible assets | 368 | 368 |
| Investments and other assets | | |
| Investment securities | 8,730 | 6,912 |
| Deferred tax assets | 58 | 47 |
| Net defined benefit asset | 398 | 326 |
| Other | 778 | 871 |
| Allowance for doubtful accounts | (292) | (290) |
| Total investments and other assets | 9,674 | 7,869 |
| Total non-current assets | 25,753 | 24,026 |
| Total assets | 55,818 | 55,566 |

(Millions of yen)

| | As of March 31, 2018 | As of December 31, 2018 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 2,033 | 1,692 |
| Short-term loans payable | 4,604 | 7,649 |
| Current portion of long-term loans payable | 15 | – |
| Accrued expenses | 3,380 | 3,658 |
| Income taxes payable | 316 | 105 |
| Advances received | 417 | 2,313 |
| Provision for bonuses | 242 | 16 |
| Provision for loss on order received | 183 | 169 |
| Provision for warranties for completed construction | 580 | 435 |
| Other | 924 | 643 |
| Total current liabilities | 12,698 | 16,684 |
| Non-current liabilities | | |
| Long-term loans payable | 3,080 | 3,153 |
| Deferred tax liabilities | 1,591 | 820 |
| Deferred tax liabilities for land revaluation | 1,107 | 1,095 |
| Net defined benefit liability | 325 | 351 |
| Asset retirement obligations | 321 | 225 |
| Other | 27 | 27 |
| Total non-current liabilities | 6,453 | 5,674 |
| Total liabilities | 19,151 | 22,359 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 18,580 | 18,580 |
| Capital surplus | 1,273 | 1,273 |
| Retained earnings | 15,750 | 13,454 |
| Treasury shares | (1,397) | (1,077) |
| Total shareholders' equity | 34,207 | 32,231 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,995 | 1,594 |
| Deferred gains or losses on hedges | – | (0) |
| Revaluation reserve for land | 133 | 106 |
| Foreign currency translation adjustment | (676) | (717) |
| Remeasurements of defined benefit plans | 5 | (8) |
| Total accumulated other comprehensive income | 2,458 | 974 |
| Non-controlling interests | 0 | 1 |
| Total net assets | 36,666 | 33,207 |
| Total liabilities and net assets | 55,818 | 55,566 |

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

(Millions of yen)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|--|--|--|
| Net sales | 31,546 | 26,963 |
| Cost of sales | 25,570 | 23,043 |
| Gross profit | 5,976 | 3,919 |
| Selling, general and administrative expenses | 3,940 | 4,159 |
| Operating profit (loss) | 2,035 | (240) |
| Non-operating income | | |
| Interest income | 8 | 9 |
| Dividend income | 280 | 296 |
| Foreign exchange gains | 46 | – |
| Other | 98 | 120 |
| Total non-operating income | 435 | 426 |
| Non-operating expenses | | |
| Interest expenses | 27 | 37 |
| Foreign exchange losses | – | 34 |
| Other | 15 | 28 |
| Total non-operating expenses | 42 | 100 |
| Ordinary profit | 2,428 | 85 |
| Extraordinary income | | |
| Gain on sales of investment securities | 320 | 74 |
| Gain on bargain purchase | – | 87 |
| Other | 95 | 23 |
| Total extraordinary income | 415 | 185 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | – | 190 |
| Loss on disaster | – | 88 |
| Other | 6 | 10 |
| Total extraordinary losses | 6 | 289 |
| Profit (loss) before income taxes | 2,837 | (18) |
| Income taxes - current | 462 | 194 |
| Income taxes - deferred | 247 | (143) |
| Total income taxes | 709 | 50 |
| Profit (loss) | 2,127 | (69) |
| Profit attributable to | | |
| Profit (loss) attributable to owners of parent | 2,127 | (68) |
| Loss attributable to non-controlling interests | – | (0) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,497 | (1,401) |
| Deferred gains or losses on hedges | 14 | (0) |
| Foreign currency translation adjustment | (62) | (40) |
| Remeasurements of defined benefit plans, net of tax | (41) | (13) |
| Total other comprehensive income | 1,407 | (1,457) |
| Comprehensive income | 3,535 | (1,526) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,535 | (1,525) |
| Comprehensive income attributable to non-controlling interests | – | (0) |