

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (Based on Japanese GAAP)

May 13, 2019

Company name: TANABE ENGINEERING CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1828 URL <https://www.tanabe-ind.co.jp/>
 Representative: President and Representative Director Yoshio Watanuki
 Director, Senior Executive officer and
 Inquiries: General Manager of Yuichi Gommori TEL 025-545-6500
 Corporate Administration Division
 Scheduled date of ordinary general meeting of shareholders: June 26, 2019
 Scheduled date to file Securities Report: June 27, 2019
 Scheduled date to commence dividend payments: June 27, 2019
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	37,495	22.6	2,445	79.4	2,495	81.3	1,531	58.8
Year ended March 31, 2018	30,575	(0.1)	1,363	(22.0)	1,376	(24.6)	964	(19.3)

	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, 2019	143.16	—	11.0	9.1	6.5
Year ended March 31, 2018	90.15	—	7.4	5.6	4.5

(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, 2019	29,141	14,599	50.1	1,364.32
As of March 31, 2018	25,481	13,371	52.5	1,249.56

(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, 2019	3,061	(1,368)	(237)	4,557
Year ended March 31, 2018	927	(1,435)	(1,001)	3,131

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, 2018	—	0.00	—	20.00	20.00	214	22.2	1.6
Year ended March 31, 2019	—	0.00	—	27.00	27.00	288	18.9	2.1
Year ending March 31, 2020 (Forecast)	—	0.00	—	25.00	25.00		16.7	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	39,000	4.0	2,100	(14.1)	2,200	(11.8)	1,600	4.4	149.52

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(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, 2019	10,728,000 shares	As of March 31, 2018	10,728,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	27,084 shares	As of March 31, 2018	27,031 shares
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Average number of shares during the period

Year ended March 31, 2019	10,700,960 shares	Year ended March 31, 2018	10,701,146 shares
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Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	3,131,818	4,557,487
Notes receivable, accounts receivable from completed construction contracts and other	13,385,815	14,604,062
Costs on uncompleted construction contracts	647,691	1,315,637
Other inventories	254,694	259,709
Other	225,224	155,815
Allowance for doubtful accounts	(1,308)	(1,430)
Total current assets	17,643,935	20,891,282
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,061,311	6,264,066
Machinery, vehicles, tools, furniture and fixtures	4,347,065	4,480,769
Land	2,052,299	2,422,591
Leased assets	370,580	338,336
Construction in progress	25,132	226,842
Accumulated depreciation	(6,300,225)	(6,830,405)
Total property, plant and equipment	6,556,163	6,902,201
Intangible assets	117,686	108,293
Investments and other assets		
Investment securities	501,579	452,144
Deferred tax assets	548,930	676,959
Other	113,282	110,679
Total investments and other assets	1,163,791	1,239,784
Total non-current assets	7,837,642	8,250,278
Total assets	25,481,577	29,141,561

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	5,918,505	7,467,210
Short-term loans payable	995,295	480,000
Lease obligations	28,911	27,740
Accounts payable - other	1,087,890	1,423,225
Accrued expenses	315,090	351,013
Income taxes payable	267,814	695,706
Advances received on uncompleted construction contracts	445,185	505,543
Provision for warranties for completed construction	28,793	36,367
Provision for loss on construction contracts	24,061	27,639
Provision for bonuses	854,326	1,020,367
Provision for bonuses for directors (and other officers)	40,000	50,000
Other	285,281	113,551
Total current liabilities	10,291,155	12,198,364
Non-current liabilities		
Long-term loans payable	380,000	900,000
Lease obligations	125,223	105,662
Long-term accounts payable - other	137,734	132,500
Retirement benefit liability	1,175,917	1,205,610
Total non-current liabilities	1,818,875	2,343,773
Total liabilities	12,110,030	14,542,137
Net assets		
Shareholders' equity		
Capital stock	885,320	885,320
Capital surplus	1,475,320	1,475,320
Retained earnings	11,263,381	12,580,473
Treasury shares	(6,973)	(7,020)
Total shareholders' equity	13,617,047	14,934,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	130,884	77,119
Foreign currency translation adjustment	3,548	(44,452)
Remeasurements of defined benefit plans	(379,934)	(367,335)
Total accumulated other comprehensive income	(245,501)	(334,668)
Total net assets	13,371,546	14,599,423
Total liabilities and net assets	25,481,577	29,141,561

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales		
Net sales of completed construction contracts	30,575,531	37,495,536
Total net sales	30,575,531	37,495,536
Cost of sales		
Cost of sales of completed construction contracts	25,834,746	31,400,379
Total cost of sales	25,834,746	31,400,379
Gross profit		
Gross profit on completed construction contracts	4,740,784	6,095,156
Total gross profit	4,740,784	6,095,156
Selling, general and administrative expenses		
Employees' salaries and allowances	1,052,272	1,152,862
Provision for bonuses	313,821	369,706
Provision for bonuses for directors (and other officers)	40,000	50,000
Retirement benefit expenses	60,132	63,824
Depreciation	142,331	168,855
Enterprise tax	79,000	93,709
Other	1,690,132	1,751,041
Total selling, general and administrative expenses	3,377,690	3,649,999
Operating profit	1,363,094	2,445,156
Non-operating income		
Interest income	1,991	1,596
Dividend income	9,118	10,197
Land and house rent received	37,490	36,822
Insurance fee	—	20,206
Other	14,159	24,588
Total non-operating income	62,760	93,411
Non-operating expenses		
Interest expenses	12,774	15,778
Loss on transfer of receivables	4,581	8,302
Commitment fee	17,208	10,020
Foreign exchange losses	11,412	288
Other	3,202	8,629
Total non-operating expenses	49,181	43,019
Ordinary profit	1,376,673	2,495,549
Extraordinary income		
Gain on sales of non-current assets	—	1,387
Gain on sales of investment securities	36,971	—
Total extraordinary income	36,971	1,387

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Extraordinary losses		
Loss on sales of non-current assets	547	2,741
Loss on disposal of non-current assets	5,466	23,648
Impairment loss	4,700	163,891
Other	1,100	2,254
Total extraordinary losses	11,814	192,536
Profit before income taxes	1,401,830	2,304,400
Income taxes - current	510,000	900,009
Income taxes - deferred	(72,861)	(127,543)
Total income taxes	437,138	772,465
Profit	964,692	1,531,934
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	964,692	1,531,934

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	964,692	1,531,934
Other comprehensive income		
Valuation difference on available-for-sale securities	29,600	(53,764)
Remeasurements of defined benefit plans, net of tax	(186,124)	12,599
Foreign currency translation adjustment	141,838	(48,001)
Total other comprehensive income	(14,686)	(89,167)
Comprehensive income	950,006	1,442,767
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	950,006	1,442,767
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	885,320	1,475,320	10,512,712	(6,720)	12,866,631
Changes of items during period					
Dividends of surplus			(214,024)		(214,024)
Profit attributable to owners of parent			964,692		964,692
Purchase of treasury shares				(252)	(252)
Net changes of items other than shareholders' equity					
Total changes of items during period			750,668	(252)	750,416
Balance at end of current period	885,320	1,475,320	11,263,381	(6,972)	13,617,047

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	101,284	(138,289)	(193,809)	(230,815)	12,635,816
Changes of items during period					
Dividends of surplus					(214,024)
Profit attributable to owners of parent					964,692
Purchase of treasury shares					(252)
Net changes of items other than shareholders' equity	29,600	141,838	(186,124)	(14,686)	(14,686)
Total changes of items during period	29,600	141,838	(186,124)	(14,686)	735,730
Balance at end of current period	130,884	3,548	(379,934)	(245,501)	13,371,546

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	885,320	1,475,320	11,263,381	(6,972)	13,617,047
Changes of items during period					
Dividends of surplus			(214,019)		(214,019)
Profit attributable to owners of parent			1,531,934		1,531,934
Purchase of treasury shares				(47)	(47)
Net changes of items other than shareholders' equity			(823)		(823)
Total changes of items during period			1,317,092	(47)	1,317,045
Balance at end of current period	885,320	1,475,320	12,580,473	(7,020)	14,934,092

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	130,884	3,548	(379,934)	(245,501)	13,371,546
Changes of items during period					
Dividends of surplus					(214,019)
Profit attributable to owners of parent					1,531,934
Purchase of treasury shares					(47)
Net changes of items other than shareholders' equity	(53,764)	(48,001)	12,599	(89,167)	(89,990)
Total changes of items during period	(53,764)	(48,001)	12,599	(89,167)	1,227,877
Balance at end of current period	77,119	(44,452)	(367,335)	(334,668)	14,599,423

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,401,830	2,304,400
Depreciation	550,152	580,016
Impairment loss	4,700	163,891
Increase (decrease) in allowance for doubtful accounts	132	121
Increase (decrease) in provision for bonuses	(8,605)	176,041
Increase (decrease) in retirement benefit liability	(15,437)	(25,523)
Increase (decrease) in provision for warranties for completed construction	191	7,573
Increase (decrease) in provision for loss on construction contracts	24,061	3,722
Interest and dividend income	(11,110)	(11,794)
Interest expenses	12,774	15,778
Foreign exchange losses (gains)	(9,822)	1,141
Loss (gain) on sales of investment securities	(36,971)	—
Loss (gain) on sales of property, plant and equipment	547	1,354
Loss on retirement of property, plant and equipment	3,261	13,908
Decrease (increase) in notes and accounts receivable - trade	(1,177,462)	(1,223,714)
Decrease (increase) in costs on uncompleted construction contracts	(90,940)	(655,310)
Decrease (increase) in inventories	(65,796)	(19,332)
Decrease (increase) in other current assets	(80,472)	68,577
Increase (decrease) in notes and accounts payable - trade	835,358	1,753,982
Increase (decrease) in advances received on uncompleted construction contracts	349,660	60,619
Increase (decrease) in other current liabilities	(224,688)	251,476
Other, net	64,118	70,448
Subtotal	1,525,480	3,537,380
Interest and dividend income received	11,110	11,794
Interest expenses paid	(12,779)	(15,821)
Income taxes paid	(596,482)	(472,117)
Net cash provided by (used in) operating activities	927,329	3,061,236
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,434,593)	(1,351,662)
Proceeds from sales of property, plant and equipment	441	2,291
Purchase of intangible assets	(11,518)	(8,253)
Purchase of investment securities	(53,862)	(17,212)
Proceeds from sales of investment securities	59,631	464
Collection of loans receivable	597	—
Other, net	3,525	5,455
Net cash provided by (used in) investing activities	(1,435,776)	(1,368,916)

	(Thousands of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200,000)	(500,000)
Proceeds from long-term loans payable	—	1,000,000
Repayments of long-term loans payable	(550,588)	(495,295)
Purchase of treasury shares	(252)	(47)
Cash dividends paid	(213,628)	(212,138)
Repayments of lease obligations	(37,364)	(30,049)
Net cash provided by (used in) financing activities	(1,001,833)	(237,530)
Effect of exchange rate change on cash and cash equivalents	59,275	(29,120)
Net increase (decrease) in cash and cash equivalents	(1,451,006)	1,425,668
Cash and cash equivalents at beginning of period	4,582,824	3,131,818
Cash and cash equivalents at end of period	3,131,818	4,557,487