

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 12, 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
 Inquiries: Executive Officer Takeshi Yonehara TEL 03-5857-3333
 Scheduled date to file Quarterly Securities Report: November 13, 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 six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	20,501	19.9	737	–	955	290.2	682	460.7
Six months ended September 30, 2018	17,100	(22.6)	(57)	–	244	(87.2)	121	(91.8)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	76.03		–	
Six months ended September 30, 2018	13.32		–	

(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, 2019	58,157	35,154	60.4	3,928.09
As of March 31, 2019	64,756	35,234	54.4	3,897.68

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2019	–	0.00	–	100.00	100.00
Year ending March 31, 2020	–	0.00			
Year ending March 31, 2020 (Forecast)			–	100.00	100.00

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	44,700	(1.1)	1,780	26.6	2,080	17.4	1,320	28.7	145.17

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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, 2019	9,323,074 shares	As of March 31, 2019	9,323,074 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	373,841 shares	As of March 31, 2019	283,723 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, 2019	8,975,287 shares	Six months ended September 30, 2018	9,138,541 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	7,666	9,238
Notes and accounts receivable - trade	23,267	13,158
Investments in leases	1,499	1,206
Merchandise and finished goods	38	45
Work in process	4,252	6,033
Raw materials and supplies	1,670	1,641
Other	534	468
Allowance for doubtful accounts	(22)	(16)
Total current assets	38,906	31,777
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,321	3,361
Machinery, equipment and vehicles, net	1,021	976
Tools, furniture and fixtures, net	310	324
Land	10,556	10,556
Construction in progress	622	1,001
Other, net	12	15
Total property, plant and equipment	15,845	16,235
Intangible assets	357	378
Investments and other assets		
Investment securities	8,671	9,017
Deferred tax assets	63	54
Retirement benefit asset	332	121
Other	868	861
Allowance for doubtful accounts	(289)	(288)
Total investments and other assets	9,646	9,765
Total non-current assets	25,850	26,380
Total assets	64,756	58,157

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,570	982
Short-term borrowings	7,849	4,349
Current portion of long-term borrowings	514	980
Accrued expenses	7,534	4,610
Income taxes payable	659	304
Advances received	2,020	3,300
Provision for bonuses	227	255
Provision for loss on order received	121	107
Provision for warranties for completed construction	555	421
Other	870	447
Total current liabilities	21,922	15,759
Non-current liabilities		
Long-term borrowings	4,627	4,141
Deferred tax liabilities	1,267	1,555
Deferred tax liabilities for land revaluation	1,095	1,095
Retirement benefit liability	358	199
Asset retirement obligations	224	223
Other	27	27
Total non-current liabilities	7,599	7,243
Total liabilities	29,522	23,002
Net assets		
Shareholders' equity		
Share capital	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	14,549	14,188
Treasury shares	(1,077)	(1,139)
Total shareholders' equity	33,324	32,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,621	2,962
Revaluation reserve for land	106	106
Foreign currency translation adjustment	(759)	(767)
Remeasurements of defined benefit plans	(61)	(50)
Total accumulated other comprehensive income	1,907	2,250
Non-controlling interests	1	1
Total net assets	35,234	35,154
Total liabilities and net assets	64,756	58,157

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	17,100	20,501
Cost of sales	14,509	16,495
Gross profit	2,591	4,006
Selling, general and administrative expenses	2,648	3,268
Operating profit (loss)	(57)	737
Non-operating income		
Interest income	6	5
Dividend income	240	208
Foreign exchange gains	14	–
Other	74	53
Total non-operating income	335	267
Non-operating expenses		
Interest expenses	23	29
Foreign exchange losses	–	12
Other	10	8
Total non-operating expenses	34	50
Ordinary profit	244	955
Extraordinary income		
Gain on sales of investment securities	74	290
Gain on bargain purchase	87	–
Other	6	0
Total extraordinary income	169	291
Extraordinary losses		
Loss on valuation of investment securities	190	93
Merger expenses	–	22
Other	34	7
Total extraordinary losses	225	123
Profit before income taxes	189	1,123
Income taxes - current	158	278
Income taxes - deferred	(90)	163
Total income taxes	67	441
Profit	121	682
Profit attributable to		
Profit attributable to owners of parent	121	682
Loss attributable to non-controlling interests	(0)	(0)
Other comprehensive income		
Valuation difference on available-for-sale securities	256	340
Foreign currency translation adjustment	(62)	(7)
Remeasurements of defined benefit plans, net of tax	(8)	10
Total other comprehensive income	185	343
Comprehensive income	307	1,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	307	1,025
Comprehensive income attributable to non-controlling interests	(0)	(0)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	189	1,123
Depreciation	348	367
Gain on bargain purchase	(87)	–
Increase (decrease) in allowance for doubtful accounts	(12)	(8)
Decrease (increase) in retirement benefit asset	35	220
Increase (decrease) in retirement benefit liability	12	(153)
Increase (decrease) in provision for loss on order received	(14)	(13)
Increase (decrease) in provision for warranties for completed construction	(89)	(134)
Interest and dividend income	(247)	(213)
Interest expenses	23	29
Merger expenses	–	22
Foreign exchange losses (gains)	43	18
Loss (gain) on valuation of investment securities	190	93
Loss (gain) on sales of investment securities	(74)	(290)
Loss on retirement of non-current assets	1	0
Loss (gain) on sales of non-current assets	(0)	6
Decrease (increase) in trade receivables	(1,736)	10,104
Decrease (increase) in investments in leases	68	293
Decrease (increase) in inventories	(873)	(1,759)
Increase (decrease) in trade payables	(868)	(3,516)
Increase (decrease) in advances received	623	1,278
Other, net	(451)	(455)
Subtotal	(2,920)	7,012
Interest and dividends received	246	213
Interest paid	(23)	(33)
Payments for Merger expenses	–	(22)
Income taxes paid	(271)	(539)
Net cash provided by (used in) operating activities	(2,968)	6,630
Cash flows from investing activities		
Payments into time deposits	–	(115)
Proceeds from withdrawal of time deposits	–	76
Proceeds from sales and redemption of securities	500	–
Purchase of non-current assets	(484)	(769)
Proceeds from sales of non-current assets	330	0
Purchase of investment securities	(392)	(97)
Proceeds from sales and redemption of investment securities	74	440
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(373)	–
Other, net	(40)	1
Net cash provided by (used in) investing activities	(385)	(463)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(3,500)
Repayments of long-term borrowings	(15)	(19)
Proceeds from disposal of treasury shares	–	149
Purchase of treasury shares	(1,002)	(350)
Dividends paid	(924)	(900)
Net cash provided by (used in) financing activities	(1,942)	(4,620)
Effect of exchange rate change on cash and cash equivalents	3	(13)
Net increase (decrease) in cash and cash equivalents	(5,292)	1,533
Cash and cash equivalents at beginning of period	12,420	7,609
Cash and cash equivalents at end of period	7,127	9,143