TOYO KANETSU K.K.

TOYO KANETSU K.K.

TKK Report 2019 Financial Section

(Fiscal year ended March 31, 2019)

This material is the Financial Section of the *TKK Report 2019*, the integrated report published by Toyo Kanetsu K.K. that summarizes the financial information for the Company's fiscal year 2018 (Apr. 2018 to Mar. 2019). For financial information prior to fiscal year 2017, please see our website for the Annual Reports for each fiscal year.
https://www.toyokanetsu.co.jp/global/ir/annual.php

CONTENTS

Analysis of Operating Environment and Results

In the fiscal year ended March 31, 2019 (fiscal 2018), although the economy continued toward a modest recovery, including signs of increased consumer spending on the back of improvements in the employment and income environments, the outlook for the Japanese economy remained uncertain due to factors including US-China trade friction, a slowdown in the Chinese economy, and concerns that the economy will be adversely affected by the expected hike in consumption taxes.

Amid these conditions, the Logistics Solutions Business continued to experience a surge in demand driven by the expansion of online shopping and labor shortages. Demand for systems for airports was also strong, based partly on expectations of further increases in the number of overseas visitors ahead of the 2020 Tokyo Olympics and Paralympics.

In the fiscal year under review, the name of the Material Handling Systems Business, a traditional reporting segment, was changed to the Logistics Solutions Business. This is a change in name only; it has no material effect on the segment itself.

In the Plant & Machinery Business, despite a heightened focus on LNG, which is expected to reduce greenhouse gas emissions amid the tightening of environmental regulations worldwide, supply and demand conditions in the LNG market continued to ease as large plants commenced operations in the US and Australia. While there was some movement in LNG-related capital investment in energy-importing countries, it lacked strength. In Japan, petroleum industry reorganization brought a heightened sense of uncertainty to the market, contributing to a business climate that was more challenging than expected.

In net sales for the current fiscal year were ¥45,188 million (up 8.2% year on year), there was an increase in the Logistics Solutions Business segment. due in part to a decline in the number of projects in the Plant & Machinery segment, the Company's consolidated net sales were ¥1,406 million (down 37.9%), while operating profit was ¥1,771 million (down 33.1%). Profit attributable to owners of parent came to ¥1,025 million (down 56.6%). Orders received rose 10.0% to ¥43,286 million.

Segment results are as follows.

● Logistics Solutions Business

Sales mainly comprise warehouse automation equipment projects incorporating our "Multishuttle" system for online shopping as well as co-op stores and machinery projects for airports. Profits declined slightly due to unprofitable projects and higher costs associated with human resource enhancements aimed at further expanding business.
As a result, consolidated net sales in this business increased 12.9% year on year to ¥29,274 million, while operating profit fell 1.2% to ¥1,907 million, and orders received grew 2.6% to ¥30,486 million.

● Plant & Machinery Business

Although we implemented various measures, including efforts to acquire orders for small- and medium-sized projects overseas, we were unable to acquire the new large projects we were targeting. Sales of maintenance projects declined in Japan and some construction projects saw declining profit margins, leading to an increase in operating losses.
As a result, consolidated net sales in this business decreased 16.0% year on year to ¥8,421 million, and an operating loss of ¥1,221 million was posted (compared with ¥178 million in the previous fiscal year), while orders received grew 37.3% to ¥11,438 million.

● Other Businesses

Efforts were focused mainly on leveraging the specializations of each subsidiary to develop sales for industrial machinery, general construction and environmental surveys. Higher demand for labor-saving products due to changes in population structure, as well as for asbestos surveys due to tightening regulations, provided a tailwind that resulted in an increase in consolidated net sales of 29.4% year on year to ¥7,492 million. Operating profit increased 21.3% to ¥1,108 million, and orders received rose 3.4% to ¥1,362 million.

Business Risks

The following risks may affect the business results, stock price and financial position of the TKK Group.

Effect of the Global Economy and Energy Market Trends

The Plant & Machinery Business, the TKK Group's mainstay business, is subject not only to global economic trends but also to economic and social conditions in oil- and gas-producing and consuming countries, energy and environmental policies in each country, and the prices of crude oil and LNG. Owing to these factors, some customers have halted, postponed, or reviewed their investment plans in ways that could adversely affect Plant & Machinery Business orders and the TKK Group's earnings and financial standing.

Potential Risks Associated with International Activities and Overseas Advance

The TKK Group conducts some operations in overseas markets, primarily those of the Plant & Machinery Business. Further, its subsidiary manufactures tank materials in Indonesia. These overseas operations carry inherent risks as stated below, and the TKK Group's business results and financial position may be adversely affected by such risks.

(1) Unexpected changes in laws and regulations
(2) Political and economic instability
(3) Difficulties in securing human resources
(4) Tax system revisions that could be unfavorable to the TKK Group
(5) Social confusion arising from acts of terror, war or any other factors

Exchange Rate Fluctuations

The TKK Group's business activities include manufacturing products, selling materials and implementing construction operations overseas. Foreign currency-denominated accounting items such as sales, expenses and assets are translated into Japanese yen for the purpose of preparing consolidated financial statements. The exchange rates used in currency conversion may affect the yen-denominated value. As most of our payments and receipts are denominated in U.S. dollars or euros, a stronger yen will adversely affect the TKK Group's business, while a weaker yen will favorably affect the TKK Group's business.

The TKK Group makes an effort to minimize the adverse effects of such exchange rate fluctuations by flexibly entering into forward exchange contracts or option contracts, and by implementing structural solutions such as using overseas manufacturing bases and internationally procuring raw materials. However, an unexpected change in exchange rates may adversely affect the TKK Group's business results and financial position.

Project Execution

The business results of the TKK Group may be affected by situations where, for customer reasons, projects are suspended or postponed or the project content is otherwise altered.

Further, as our projects take the form of inclusive contracts, deterioration in project profitability may impact on business results in the event of a sudden change in the economic situation leading to unforeseen rises in equipment and material prices, transportation costs, construction costs or other expenses, or in the event of a natural disaster, outbreak of disease, serious accident or other eventualities.

Intense Competition for Winning Orders

All of the major businesses of the TKK Group are being operated under the make-to-order type system, and the TKK Group is facing severe competition to win orders. Depending on the circumstances, we recognize the possibility that a competitor may disregard profitability and enter into price competition with the TKK Group. Although the TKK Group strives to reduce all kinds of costs and reinforce its price competitiveness, such unreasonable downward pressure on the TKK Group's earnings may adversely affect the TKK Group's business results and financial position.

Disasters

The TKK Group takes necessary measures such as a daily check, drill and establishment of a contact system to continue it's business activities to prepare for fire, earthquakes or other large-scale natural disasters. In addition, major personal and property damages are adequately covered by insurance against such disasters.

However, the TKK Group's business results and financial position may be adversely affected if projections are exceeded by the scale of the direct or indirect material damage or human injury, or by the burden of restoration costs or other expenses

Leaks of Confidential Information, etc.

The TKK Group handles a variety of confidential information, including customer information and technical data, during the operation of its business. To strengthen the management of confidential information, the Information Security Committee has been established to educate employees on the importance of protecting this information and has taken measures to ensure the security of information systems. If an unforeseen cyberattack impairs the function of confidential information systems through unforeseen cyber attacks, including by computer viruses and other malware, or if confidential information is lost or leaked, this may damage the reliability of the TKK Group and impact our business activities.

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheet

(Millions of yen)

		Previous fiscal period (As of March 31, 2018)		Current fiscal period (As of March 31, 2019)
Assets				
Current assets				
Cash and deposits	*1	12,421	*1	7,666
Notes and accounts receivable - trade	*5	9,387	*5	23,267
Lease investment assets		1,781		1,499
Securities		500		–
Merchandise and finished goods		40		38
Work in process		3,819		4,252
Raw materials and supplies		1,640		1,670
Other		494		534
Allowance for doubtful accounts		(21)		(22)
Total current assets		30,064		38,906
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*3	3,457	*3	3,321
Machinery, equipment and vehicles, net	*3	1,152	*3	1,021
Tools, furniture and fixtures, net	*3	282	*3	310
Land	*3, *4	10,707	*3, *4	10,556
Construction in progress		110		622
Other, net		0		12
Total property, plant and equipment	*2	15,710	*2	15,845
Intangible assets		368		357
Investments and other assets				
Investment securities		8,730		8,671
Deferred tax assets		58		63
Retirement benefit asset		398		332
Other		778		868
Allowance for doubtful accounts		(292)		(289)
Total investments and other assets		9,674		9,646
Total non-current assets		25,753		25,850
Total assets		55,818		64,756

(Millions of yen)

		Previous fiscal period (As of March 31, 2018)		Current fiscal period (As of March 31, 2019)
Liabilities				
Current liabilities				
Notes and accounts payable - trade	*5	2,033	*5	1,570
Short-term loans payable	*3	4,604	*3	7,849
Current portion of long-term loans payable	*3	15	*3	514
Accrued expenses		3,380		7,534
Income taxes payable		316		659
Advances received		417		2,020
Provision for bonuses		242		227
Provision for loss on order received		183		121
Provision for warranties for completed construction		580		555
Other		924		870
Total current liabilities		12,698		21,922
Non-current liabilities				
Long-term loans payable	*3	3,080	*3	4,627
Deferred tax liabilities		1,591		1,267
Deferred tax liabilities for land revaluation	*4	1,107	*4	1,095
Retirement benefit liability		325		358
Asset retirement obligations		321		224
Other		27		27
Total non-current liabilities		6,453		7,599
Total liabilities		19,151		29,522
Net assets				
Shareholders' equity				
Capital stock		18,580		18,580
Capital surplus		1,273		1,273
Retained earnings		15,750		14,549
Treasury shares		(1,397)		(1,077)
Total shareholders' equity		34,207		33,324
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		2,995		2,621
Revaluation reserve for land	*4	133	*4	106
Foreign currency translation adjustment		(676)		(759)
Remeasurements of defined benefit plans		5		(61)
Total accumulated other comprehensive income		2,458		1,907
Non-controlling interests		0		1
Total net assets		36,666		35,234
Total liabilities and net assets		55,818		64,756

(ii) Consolidated statement of income and comprehensive income

(Millions of yen)

		Previous fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales		41,758		45,188
Cost of sales	*1	34,172	*1	38,194
Gross profit		7,585		6,994
Selling, general and administrative expenses	*2, *3	5,319	*2, *3	5,588
Operating profit		2,265		1,406
Non-operating income				
Interest income		11		12
Dividend income		283		302
Foreign exchange gains		5		–
Miscellaneous income		134		136
Total non-operating income		434		452
Non-operating expenses				
Interest expenses		33		49
Foreign exchange losses		–		19
Miscellaneous loss		19		17
Total non-operating expenses		53		87
Ordinary profit		2,646		1,771
Extraordinary income				
Gain on sales of non-current assets		98		36
Gain on sales of investment securities		320		74
Gain on bargain purchase		–		87
Disaster donations		–		46
Other		–		1
Total extraordinary income		418		246
Extraordinary losses				
Loss on valuation of investment securities		–		237
Loss on disaster		–		159
Other	*4	94	*4	20
Total extraordinary losses		94		418
Profit before income taxes		2,971		1,599
Income taxes - current		582		748
Income taxes - deferred		26		(173)
Total income taxes		609		574
Profit		2,362		1,025
Profit attributable to				
Profit attributable to owners of parent		2,362		1,025
Loss attributable to non-controlling interests		(0)		(0)
Other comprehensive income				
Valuation difference on available-for-sale securities		1,003		(374)
Deferred gains or losses on hedges		14		–
Foreign currency translation adjustment		(23)		(83)
Remeasurements of defined benefit plans, net of tax		(9)		(66)
Total other comprehensive income		985		(523)
Comprehensive income		3,347		501
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		3,347		501
Comprehensive income attributable to non-controlling interests		(0)		(0)

(iii) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2017 to 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	Remeasure-ments 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

Current fiscal year (From April 1, 2018 to March 31, 2019)

(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	15,750	(1,397)	34,207
Changes of items during period					
Dividends of surplus			(930)		(930)
Profit attributable to owners of parent			1,025		1,025
Reversal of revaluation reserve for land			26		26
Purchase of treasury shares				(1,004)	(1,004)
Retirement of treasury shares			(1,323)	1,323	–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(1,201)	319	(882)
Balance at end of current period	18,580	1,273	14,549	(1,077)	33,324

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,995	133	(676)	5	2,458	0	36,666
Changes of items during period							
Dividends of surplus							(930)
Profit attributable to owners of parent							1,025
Reversal of revaluation reserve for land							26
Purchase of treasury shares							(1,004)
Retirement of treasury shares							–
Net changes of items other than shareholders' equity	(374)	(26)	(83)	(66)	(550)	0	(550)
Total changes of items during period	(374)	(26)	(83)	(66)	(550)	0	(1,432)
Balance at end of current period	2,621	106	(759)	(61)	1,907	1	35,234

(iv) Consolidated statement of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	2,971	1,599
Depreciation	737	728
Impairment loss	72	–
Gain on bargain purchase	–	(87)
Increase (decrease) in allowance for doubtful accounts	(37)	(3)
Increase (decrease) in retirement benefit liability	(28)	(13)
Decrease (increase) in retirement benefit asset	(58)	4
Increase (decrease) in provision for loss on order received	(489)	(62)
Increase (decrease) in provision for warranties for completed construction	68	(25)
Interest and dividend income	(294)	(315)
Interest expenses	33	49
Disaster donations	–	(46)
Loss on disaster	–	159
Foreign exchange losses (gains)	18	72
Loss (gain) on valuation of investment securities	–	237
Loss (gain) on sales of investment securities	(320)	(74)
Loss (gain) on sales of non-current assets	(98)	(31)
Loss on retirement of non-current assets	19	8
Decrease (increase) in notes and accounts receivable - trade	3,375	(13,749)
Decrease (increase) in lease investment assets	(257)	272
Decrease (increase) in inventories	342	(419)
Decrease (increase) in advance payments	252	95
Increase (decrease) in notes and accounts payable - trade	(1,272)	3,714
Increase (decrease) in advances received	(773)	1,621
Other, net	74	(134)
Subtotal	4,336	(6,400)
Interest and dividend income received	294	314
Interest expenses paid	(32)	(50)
Disaster donations received	–	46
Payments associated with disaster loss	–	(159)
Income taxes paid	(872)	(449)
Net cash provided by (used in) operating activities	3,726	(6,698)
Cash flows from investing activities		
Proceeds from sales and redemption of securities	100	500
Purchase of non-current assets	(436)	(1,080)
Proceeds from sales of non-current assets	295	375
Purchase of investment securities	(634)	(717)
Proceeds from sales and redemption of investment securities	500	74
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(427)
Other, net	91	(40)
Net cash provided by (used in) investing activities	(85)	(1,315)

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,250	3,217
Proceeds from long-term loans payable	2,000	2,000
Repayments of long-term loans payable	(60)	(38)
Purchase of treasury shares	(1,013)	(1,004)
Proceeds from share issuance to non-controlling shareholders	1	1
Cash dividends paid	(1,145)	(926)
Net cash provided by (used in) financing activities	2,032	3,249
Effect of exchange rate change on cash and cash equivalents	(64)	(45)
Net increase (decrease) in cash and cash equivalents	5,609	(4,810)
Cash and cash equivalents at beginning of period	6,810	12,420
Cash and cash equivalents at end of period	*1 12,420	*1 7,609

Notes

Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of the Company and its domestic consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. The accounts of overseas-consolidated subsidiaries are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries are incorporated.

Significant accounting policies for preparation of the consolidated financial statements

1. Disclosure of scope of consolidation

Number of consolidated subsidiaries: 10 companies
Names of major consolidated subsidiaries are omitted since those names are described in "TKK Group Companies."

2. Disclosure about application of the equity method

Not applicable

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Of the Company's consolidated subsidiaries, Kankyo Research Co., Ltd., Toyo Kanetsu Corporate Venture Investment Partnership, Toyo Kanetsu Corporate Venture Fund II, PT Toyo Kanetsu Indonesia, Toyo Kanetsu Singapore Pte. Ltd. and Toyo Kanetsu (Malaysia) Sdn. Bhd. have a closing date of December 31. In preparation of the consolidated financial statements, their financial statements as of December 31 are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

(i) Securities

a) Held-to-maturity bonds: Stated at amortized cost (straight-line method)

b) Available-for-sale securities

Available-for-sale securities with available fair market values are stated at fair value based on the market price or the like on the consolidated balance sheet date (valuation differences are directly charged or credited to net assets, and cost of securities sold is determined by the moving-average method).

Available-for-sale securities without available fair market value are valued at cost determined by the moving-average method.

(ii) Derivatives

Derivatives are valued at fair value.

(iii) Inventories

a) Finished goods: Primarily, at cost using the first-in first-out method
(The value on the balance sheet is written down to reflect a decline in profitability.)

b) Work in process: Primarily, at cost using the specific identification method
(The value on the balance sheet is written down to reflect a decline in profitability.)

c) Raw materials: Primarily, at cost using the weighted-average method
(The value on the balance sheet is written down to reflect a decline in profitability.)

(2) Accounting policy for depreciation of significant assets

(i) Property, plant and equipment

The Company and its domestic consolidated subsidiaries use the declining-balance method, and overseas consolidated subsidiaries use the straight-line method in accordance with provisions of accounting standards in their respective countries.

However, the Company and its domestic consolidated subsidiaries use the straight-line method to depreciate buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings and structures	2 to 57 years
Machinery and equipment	2 to 17 years

(ii) Intangible assets

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated useful life as internally determined (5 years).

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To cover losses from bad debts for notes and accounts receivable - trade, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables such as highly doubtful receivables, the collectibility is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.

(ii) Provision for bonuses

To pay bonuses to employees, out of the estimated amount to be paid in the following fiscal year, an amount attributable to the current fiscal year is recorded.

(iii) Provision for loss on order received

To make provision for losses on orders received, as for existing construction, for which an amount of loss can be reasonably estimated at the end of the current fiscal year, an expected amount of loss in future is recorded as the provision.

(iv) Provision for warranties for completed construction

To cover costs of warranty against defects and after-sales service for completed construction, an amount is recorded based on the historical loss rate as well as consideration of an amount for individual construction that is expected to incur in future at the end of the current fiscal year.

(4) Method of accounting for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

For the purpose of attributing estimated retirement benefits over the period up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.

(ii) Method of amortizing actuarial gain or loss and past service cost

Past service costs are recorded as an expense in the year they are incurred.

With regard to actuarial gain or loss, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (5 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.

(5) Accounting policies for significant revenues and expenses

(i) Recognition of revenues and costs of completed construction contracts

The percentage-of-completion method is applied to construction showing certainty of performance on the progress made up until the end of the current fiscal year (the cost-to-cost method is applied to estimate the extent of progress toward completion), and the completed-contract method is applied to other construction.

(ii) Standards for recognition of revenues and expenses related to finance lease transactions

Sales and costs are recognized at the time of receiving lease payments.

(6) Accounting policy for hedging

(i) Method of hedge accounting

In principle, the deferral accounting is applied. The allocation method is applied to forward foreign exchange contracts that meet requirements thereof, and the exceptional treatment is applied to interest rate swaps that meet requirements thereof.

(ii) Hedging instruments and hedged items

Hedging instruments: .... Forward foreign exchange contracts, Interest rate swaps
Hedged items:..................... Forecast transactions denominated in foreign currencies and borrowings

(iii) Hedging policy

In accordance with the "Rules on Handling of Derivative Transactions" established by the Company, the Company and its consolidated subsidiaries (collectively, the "Group") do not enter into any derivative transaction for speculative purposes but use derivative transactions only to hedge exchange rate fluctuation risk and interest rate fluctuation risk.

(iv) Method of assessing the hedging effectiveness

The Group confirms effectiveness by comparing and examining cash flows of hedging instruments and hedged items in advance. However, the Group omits assessment of effectiveness on interest rate swaps to which the exceptional treatment is applied.

(7) Accounting policy for goodwill

Goodwill is amortized evenly over the period of 5 years.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months or less from the purchase date whose value is not subject to significant fluctuation risk.

(9) Other significant information for preparation of the consolidated financial statements

Accounting policy for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of taxes.

Notes - Changes in accounting policies

Not applicable

Notes - New accounting standards to be applied

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

These ASBJ statement and guidance will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effects of application of the accounting standard, etc.

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently under evaluation.

Notes - Changes in presentation

Changes due to the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018, hereinafter referred to as the "Partial Amendments") effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets have been presented under "investments and other assets" and deferred tax liabilities have been presented under "non-current liabilities," and at the same time, the Notes - Tax effect accounting have been changed.
As a result, "deferred tax assets" under "current assets" decreased by ¥506 million, "deferred tax assets" under "investments and other assets" increased by ¥25 million, and "deferred tax liabilities" under "non-current liabilities" decreased by ¥480 million in the consolidated balance sheet as of the end of the previous fiscal year.

Deferred tax assets and deferred tax liabilities of the same taxable entity are offset in presentation, and total assets decreased by ¥480 million compared with the amount before the change.
Furthermore, the contents described in (Note 8) (excluding the total amount of valuation reserve) of the explanatory notes to the "Accounting Standard for Tax Effect Accounting" and (Note 9) of the same explanatory notes set forth in Paragraph 3 through Paragraph 5 of the Partial Amendments have been added in the Notes - Tax effect accounting. However, of these contents, information for the previous fiscal year has not been provided in accordance with the transitional treatment specified in Paragraph 7 of the Partial Amendments.

Consolidated statement of income

"Loss on retirement of non-current assets" and "impairment loss" under "extraordinary losses," which were set down separately for the previous fiscal year, have been included in "other" in the current fiscal year since significance of the amount has decreased. In order to reflect this change in the method of presentation, the amount in the consolidated financial statements for the previous fiscal year has been reclassified.

As a result, ¥19 million included in "loss on retirement of non-current assets" and ¥72 million included in "impairment loss" under "extraordinary losses" in the consolidated statement of income for the previous fiscal year have been reclassified to "other."

Notes - Consolidated balance sheet

*1. The following amounts have been restricted by a bank in return for its issuing a bank guarantee, which was provided by the Company:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Cash and deposits	¥1 million	¥2 million

*2. Accumulated depreciation of property, plant and equipment are as follows:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
	¥11,620 million	¥11,094 million

*3. Assets pledged and liabilities secured

Assets pledged and liabilities secured as collateral are as follows:
Assets pledged

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)	
Buildings and structures	¥373 million	[¥373 million]	¥336 million	[¥336 million]
Machinery, equipment and vehicles	0	[0]	0	[0]
Tools, furniture and fixtures	0	[0]	0	[0]
Land	5,458	[5,458]	5,458	[5,458]
Total	5,832	[5,832]	5,795	[5,795]

Liabilities secured

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)	
Short-term loans payable	¥997 million	[¥997 million]	¥1,670 million	[¥1,670 million]
Long-term loans payable (including current portion of long-term loans payable)	1,130	[1,130]	1,980	[1,980]
Total	2,127	[2,127]	3,650	[3,650]

In the above table, figures in brackets present mortgages on factory foundation and the relevant debts. The amounts of land are after revaluation.

*4. In accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), the Company revalues its land for business use and, as for the valuation difference, records an amount equivalent to tax relating to the valuation difference as “deferred tax liabilities for land revaluation” in the liabilities section and an amount after deducting said amount as “revaluation reserve for land” in the net assets section.

Method of revaluation – The Company revalues the land by the calculation method where a value based on the assessed value of fixed asset tax set forth in Article 2, Item 3 and road rating set forth in Article 2, Item 4 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) is reasonably adjusted.

Date of revaluation – March 31, 2002

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Difference between the year-end value of revaluated land and the book value after the revaluation	¥(2,642) million	¥(2,537) million

*5. Notes matured at the end of the fiscal year
With respect to the accounting treatment of notes matured at the end of the fiscal year, although the last day of the current fiscal year fell on a bank holiday, the notes were treated as though they were settled on the maturity date. The amounts for notes matured at the end of the fiscal year are as follows:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Notes receivable - trade	¥143 million	¥78 million
Notes payable - trade	103	142

Notes - Consolidated statement of income and consolidated statement of comprehensive income

*1. Provision for loss on order received included in cost of sales

Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
¥(458) million	¥(56) million

*2. Major components of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Salaries and allowances	¥1,629 million	¥1,702 million
Bonuses	386	289
Provision for bonuses	115	147
Retirement benefit expenses	102	147
Provision of allowance for doubtful accounts	(37)	(1)

*3. Total of research and development expenses included in general and administrative expenses and manufacturing costs for the current period

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
	¥653 million	¥543 million

*4. Impairment loss

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Location	Use	Type
Yokohama City, Kanagawa	Assets for lease	Land, buildings and other assets
Ebina City, Kanagawa	Same as above	Same as above

In principle, the Group's assets for business use are grouped on the basis of the business, and the Group's idle assets are grouped by each asset.

For the previous fiscal year, the book value of assets scheduled to be sold, such as land, buildings and other assets owned by the Group, was reduced to a recoverable amount calculated using net realizable value based on an assessed value reasonably measured by a third party. Said reduced amount has been recorded under extraordinary losses as impairment loss (¥72 million). A breakdown of this impairment loss is ¥72 million in land and ¥0 million in buildings and other assets.

The recoverable amount of this asset group was measured based on the net realizable value and valued based on the planned sale amount.

Current fiscal year (From April 1, 2018 to March 31, 2019)

Not applicable

*5. Reclassification adjustments and tax effects relating to other comprehensive income

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount recorded during the period	¥1,446 million	¥(555) million
Reclassified amount	–	–
Pre-adjustment of tax effect	1,446	(555)
Tax effect amount	(443)	181
Valuation difference on available-for-sale securities	1,003	(374)
Deferred gains or losses on hedges:		
Amount recorded during the period	–	–
Reclassified amount	21	–
Pre-adjustment of tax effect	21	–
Tax effect amount	(6)	–
Deferred gains or losses on hedges	14	–
Foreign currency translation adjustment:		
Amount recorded during the period	(23)	(83)
Reclassified amount	–	–
Pre-adjustment of tax effect	(23)	(83)
Tax effect amount	–	–
Foreign currency translation adjustment	(23)	(83)
Remeasurements of defined benefit plans, net of tax:		
Amount recorded during the period	52	(90)
Reclassified amount	(64)	(30)
Pre-adjustment of tax effect	(11)	(120)
Tax effect amount	2	54
Remeasurements of defined benefit plans, net of tax	(9)	(66)
Total other comprehensive income	985	(523)

Notes - Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2017 to March 31, 2018)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares

(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares (Note 1)	103,030	–	93,327	9,703
Total	103,030	–	93,327	9,703
Treasury shares				
Common shares (Notes 1 and 2)	7,187	1,727	8,514	401
Total	7,187	1,727	8,514	401

(Notes)
1. The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share on October 1, 2017.
2. Total number of issued shares decreased by 93,327 thousand shares due to decline after the share consolidation of 87,327 thousand shares and retirement of 6,000 thousand shares of treasury shares based on a resolution by the Board of Directors.
3. Total number of treasury shares increased by 1,727 thousand shares due to purchase of treasury shares based on a resolution by the Board of Directors of 1,716 thousand shares (1,597 thousand shares before the share consolidation and 119 thousand shares after the share consolidation), purchase of fractional number of shares in line with the share consolidation of 0 thousand shares and purchase of shares less than one unit of 11 thousand shares (9 thousand shares before the share consolidation and 1 thousand shares after the share consolidation).

4. The number of common shares in treasury decreased by 8,514 thousand shares due to decline after the share consolidation of 2,514 thousand shares and retirement of 6,000 thousand shares of treasury shares based on a resolution by the Board of Directors.

2. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2017	Common shares	¥1,150 million	¥12	March 31, 2017	June 30, 2017

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2018	Common shares	¥930 million	Retained earnings	¥100	March 31, 2018	June 29, 2018

Current fiscal year (From April 1, 2018 to March 31, 2019)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares

(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares (Note 2)	9,703	–	380	9,323
Total	9,703	–	380	9,323
Treasury shares				
Common shares (Notes 1 and 2)	401	262	380	283
Total	401	262	380	283

(Notes) 1. Total number of treasury shares increased by 262 thousand shares due to purchase of treasury shares based on a resolution by the Board of Directors of 261 thousand shares and purchase of shares less than one unit of 1 thousand shares.

2. Total number of issued shares decreased by 380 thousand shares and the number of common shares in treasury decreased by 380 thousand shares due to retirement of treasury shares based on a resolution by the Board of Directors.

2. Matters concerning dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2018	Common shares	¥930 million	¥100	March 31, 2018	June 29, 2018

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2019	Common shares	¥903 million	Retained earnings	¥100	March 31, 2019	June 28, 2019

Notes - Consolidated statement of cash flows

*1. Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash and deposits	¥12,421 million	¥7,666 million
Time deposits with maturity over 3 months	–	(54)
Restricted deposits	(1)	(2)
Cash and cash equivalents	12,420	7,609

Notes - Leases

(Borrower)
Operating lease transactions
Future lease payments under non-cancelable operating leases

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Within 1 year	¥13 million	¥20 million
Over 1 year	20	57
Total	33	77

(Lender)
Finance lease transactions
(1) The components of lease investment assets
Current assets

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Lease payments receivable	¥1,826 million	¥1,526 million
Estimated residual value	–	86
Amount equivalent to interest income	(44)	(113)
Lease investment assets	1,781	1,499

(2) Amounts expected to be collected on lease payments receivable of lease investment assets after consolidated balance sheet date
Current assets

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)					
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Lease investment assets	669	515	317	248	75	–

(Millions of yen)

	Current fiscal year (As of March 31, 2019)					
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Lease investment assets	600	401	332	160	31	–

Notes - Financial instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Group raises funds necessary to run its business smoothly by borrowing from banks. In the case where the Group has temporary surplus funds, it invests them only in safe financial instruments.

The Group uses derivative transactions to hedge various risks described in (2) in accordance with the “Rules on Handling of Derivative Transactions” established by the Company and has a policy not to enter into any speculative transaction.

(2) Content and risks of financial instruments and risk management system therefor

The Group’s notes and accounts receivable - trade are subject to credit risk of its customers, and its certain receivables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the credit risk of its customers by periodically confirming whether there is any overdue receivable using an aging schedule and other documents and the exchange rate fluctuation risk such as by borrowing in foreign currencies as needed.

The Company’s securities are subject to credit risk of its investees, but the Company invests surplus funds in safe financial instruments with high ratings through prescribed internal procedures.

The Group’s investment securities are subject to credit risk of its investees and market price fluctuation risk. They are equity securities of listed companies with which the Group has business relationships, most of which are categorized as available-for-sale securities, and the Group periodically ascertains the fair value thereof. Certain bond securities include hybrid financial instruments that were accounted for with embedded derivatives.

The Group’s notes and accounts payable - trade and accrued expenses are subject to liquidity risk, and its certain payables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents and the exchange rate fluctuation risk by forward exchange contracts and other means as needed.

Of borrowings, short-term loans payable are primarily for daily business transactions, and long-term loans payable are primarily for temporary advances on large-scale projects. Variable-rate borrowings are subject to interest rate fluctuation risk, and the Group uses interest rate swaps as hedging instruments for respective contracts for most of the long-term loans payable in order to hedge the fluctuation risk of the interest rates to be paid and fix interest expenses. The Group limits interest rate swaps to those to which the exceptional treatment can be applied and omits assessment of hedge effectiveness thereon. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents.

The Group executes and manages derivative transactions in accordance with the Company’s Rules on Handling of Derivative Transactions and, when using derivatives, enters into transactions with financial institutions with high ratings to mitigate credit risk. Please see “Accounting policy for hedging” of “Disclosure of accounting policies” in “Significant accounting policies for preparation of the consolidated financial statements” described previously for the hedging instruments, hedging policy, method of assessing the hedging effectiveness and other information on hedge accounting.

(3) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments comprise values based on market prices and reasonably measured values where market prices are unavailable. As several variable factors are incorporated in calculating the relevant fair value, the resulting amount may vary depending on the different preconditions employed. In addition, the contract amounts of derivative transactions, mentioned in “Notes - Derivatives” in Notes, should not be considered indicative of the sizes of the market risks involved in the derivative transactions.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and differences therebetween of the financial instruments as of March 31, 2018 and 2019, are as shown below. However, financial instruments whose fair values are deemed to be extremely difficult to determine are not included therein (Note 2).

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	12,421	12,421	–
(2) Notes and accounts receivable - trade	9,387		
Allowance for doubtful accounts (*)	(10)		
	9,376	9,376	–
(3) Securities	500	500	–
(4) Investment securities	7,887	7,887	–
Total assets	30,185	30,185	–
(1) Notes and accounts payable - trade	2,033	2,033	–
(2) Short-term loans payable	4,604	4,604	–
(3) Accrued expenses	3,380	3,380	–
(4) Long-term loans payable (including within 1 year)	3,095	3,160	65
Total liabilities	13,113	13,178	65
Derivatives			
(1) Those not qualifying for hedge accounting	–	–	–
(2) Those qualifying for hedge accounting	–	–	–
Total derivatives	–	–	–

(*) Amounts of allowance for doubtful accounts separately included in notes and accounts receivable - trade are excluded.

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	7,666	7,666	–
(2) Notes and accounts receivable - trade	23,267		
Allowance for doubtful accounts (*)	–		
	23,267	23,267	–
(3) Securities	–	–	–
(4) Investment securities	7,414	7,414	–
Total assets	38,347	38,347	–
(1) Notes and accounts payable - trade	1,570	1,570	–
(2) Short-term loans payable	7,849	7,849	–
(3) Accrued expenses	7,534	7,534	–
(4) Long-term loans payable (including within 1 year)	5,141	5,232	90
Total liabilities	22,095	22,186	90
Derivatives			
(1) Those not qualifying for hedge accounting	–	–	–
(2) Those qualifying for hedge accounting	–	–	–
Total derivatives	–	–	–

(*) Amounts of allowance for doubtful accounts separately included in notes and accounts receivable - trade are excluded.

(Notes) 1. Calculation method of fair values of financial instruments and matters concerning securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

Because these accounts are settled in a short period, their fair values approximate their book values. Therefore, the fair values are based on the book values.

(3) Securities
Because this account has a short-term maturity, its fair value approximates its book value. Therefore, the fair value is based on the book value.

(4) Investment securities
Fair value of this account is based on the price on exchanges, the price provided by counterparty financial institutions or other prices. Please refer to "Notes - Securities" for the notes.

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term loans payable and (3) Accrued expenses
Because these accounts are settled in a short period, their fair values approximate their book values. Therefore, the fair values are based on the book values.

(4) Long-term loans payable (including within 1 year)
Fair value of this account is determined by discounting the total amount of principal and interest at the interest rate available for a similar borrowing. Fair values of long-term loans payable with variable rates, to which the exceptional treatment for the interest rate swap is applied, are determined by discounting the total amount of principal and interest accounted for with the relevant interest rate swaps at the reasonably estimated interest rates applied to similar borrowings.

Derivatives

Please refer to "Notes - Derivatives" in Notes.

2. "Assets (4) Investment securities" do not include unlisted equity securities (carrying amount on the consolidated balance sheet of ¥1,257 million) because there is no market price and their future cash flows cannot be estimated and accordingly it is extremely difficult to ascertain their fair values.
3. Projected redemption amounts for monetary claims and securities with maturities after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash	12,408	–	–	–
Notes and accounts receivable - trade	9,376	–	–	–
Securities	500	–	–	–
Investment securities				
Held-to-maturity bonds	–	–	–	–
Available-for-sale securities	–	–	–	–
Total	22,284	–	–	–

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash	7,630	–	–	–
Notes and accounts receivable - trade	23,112	155	–	–
Securities	–	–	–	–
Investment securities				
Held-to-maturity bonds	–	–	–	–
Available-for-sale securities	–	–	–	–
Total	30,742	155	–	–

4. Scheduled repayment amounts of long-term loans payable and other interest-bearing liabilities

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term loans payable	480	600	–	–

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term loans payable	619	8	–	1,700

Notes - Securities

1. Held-to-maturity bonds

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Fair value	Difference
Securities for which the fair value exceeds the carrying amount on the consolidated balance sheet	(1) Government bonds and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	500	500	0
	Subtotal	500	500	0
Securities for which the fair value does not exceed the carrying amount on the consolidated balance sheet	(1) Government bonds and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		500	500	0

Current fiscal year (As of March 31, 2019)

Not applicable

2. Available-for-sale securities (securities classified as other securities under Japanese GAAP)

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	6,723	2,327	4,395
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	6,723	2,327	4,395
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	1,163	1,424	(260)
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,163	1,424	(260)
Total		7,887	3,752	4,134

(Note) "Available-for-sale securities" in the above table do not include unlisted equity securities (carrying amount on the consolidated balance sheet of ¥842 million) because there is no market value and accordingly it is extremely difficult to ascertain their fair values.

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	5,731	1,880	3,850
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	5,731	1,880	3,850
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	1,682	1,937	(254)
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,682	1,937	(254)
Total		7,414	3,818	3,595

(Note) "Available-for-sale securities" in the above table do not include unlisted equity securities (carrying amount on the consolidated balance sheet of ¥1,257 million) because there is no market value and accordingly it is extremely difficult to ascertain their fair values.

3. Available-for-sale securities that were sold

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	400	320	(0)
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	400	320	(0)

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	74	74	–
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	74	74	–

Notes - Derivatives

1. Derivative transactions to which hedge accounting is not applied
   Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Previous fiscal year (As of March 31, 2018)
Not applicable

Current fiscal year (As of March 31, 2019)
Not applicable

(2) Interest rates

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term loans payable	2,495	2,480	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term loans payable, as those interest rate swaps are treated as an adjustment to long-term loans payable as hedged items.

Current fiscal year (As of March 31, 2019)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term loans payable	3,680	3,200	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term loans payable, as those interest rate swaps are treated as an adjustment to long-term loans payable as hedged items.

Notes - Retirement benefits

1. Summary of retirement benefit plans adopted

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans as defined benefit plans, and certain consolidated subsidiaries have a small and medium sized enterprise retirement allowance cooperative plan and lump-sum retirement plans.
In addition, the Company and certain consolidated subsidiaries have defined contribution corporate pension plans.
The Company and certain consolidated subsidiaries participate in Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin (pension fund of Japan industrial machinery manufacturers). For this fund, since the amount of pension plan assets corresponding to contributions by the respective companies cannot be reasonably calculated, the fund is accounted for similar to defined contribution plans.
The Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin has received permission from the Minister of Health, Labour and Welfare on May 1, 2017 for past portions of the entrusted employees' pension portion to be returned to the state, and it has changed its pension scheme from an employees' pension fund plan to a corporate pension fund plan.

2. Defined benefit plans

(1) Reconciliation between beginning balance and ending balance of retirement benefit obligations

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Beginning balance of retirement benefit obligations	¥3,438 million	¥3,493 million
Service cost	182	187
Interest expenses	15	16
Unrecognized net actuarial gain or loss	52	6
Retirement benefits paid	(190)	(301)
Past service cost	–	35
Other	(4)	(9)
Ending balance of retirement benefit obligations	3,493	3,428

(2) Reconciliation between beginning balance and ending balance of pension plan assets

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Beginning balance of pension plan assets	¥3,432 million	¥3,567 million
Expected return on plan assets	45	42
Unrecognized net actuarial gain or loss	105	(61)
Amount of employer contribution	181	178
Retirement benefits paid	(190)	(310)
Other	(7)	(12)
Ending balance of pension plan assets	3,567	3,403

(3) Retirement benefit obligations and pension plan assets at the end of the fiscal year and reconciliation of net defined benefit liability and net defined benefit asset on consolidated balance sheet

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Retirement benefit obligations under funded system	¥3,491 million	¥3,426 million
Pension plan assets	(3,567)	(3,403)
	(75)	23
Retirement benefit obligations under unfunded system	2	2
Net amount of assets and liabilities stated in the consolidated balance sheet	(73)	25
Net defined benefit liability	325	358
Net defined benefit asset	(398)	(332)
Net amount of assets and liabilities stated in the consolidated balance sheet	(73)	25

(4) Retirement benefit expenses and components thereof

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Service cost	¥182 million	¥187 million
Interest expenses	15	16
Expected return on plan assets	(45)	(42)
Amortization of net actuarial gain or loss	(60)	(31)
Amortization of past service cost	–	35
Retirement benefit expenses pertaining to defined benefit plans	91	165

(5) Remeasurements of defined benefit plans, net of tax on consolidated statement of income and comprehensive income

The components of remeasurements of defined benefit plans, net of tax (before tax effects deduction) are as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Past service cost	¥– million	¥– million
Actuarial gains and losses	(11)	(120)
Total	(11)	(120)

(6) Remeasurements of defined benefit plans on consolidated balance sheet

The components of remeasurements of defined benefit plans (before tax effects deduction) are as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Unrecognized past service cost	¥– million	¥– million
Unrecognized net actuarial gain or loss	(9)	94
Total	(9)	94

(7) Pension plan assets

(i) Major components of pension plan assets

Ratio of major components for total pension plan assets is as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Bonds	29%	28%
Shares	31	32
General account	30	31
Other	10	9
Total	100	100

(ii) Method of establishing expected long-term rates of return on plan assets

In order to determine the expected long-term rates of return on plan assets, the current and forecast distribution of plan assets and the current and expected long-term rates of return from the diverse assets that comprise the plan assets are taken into consideration.

(8) Matters relating to the basis for actuarial calculations

Main basis for actuarial calculations

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Discount rate	0.25%	0.25%
Expected long-term rates of return on pension plan assets	1.00%	1.00%

3. Defined contribution plans

The required contribution from the Company and its consolidated subsidiaries into the defined contribution pension plans was ¥58 million in the previous fiscal year and ¥81 million in the current fiscal year.

4. Multi-employer plan

The required contribution amount to the corporate pension fund plan under the multi-employer plan, which is accounted for in the same manner as a defined contribution plan, was ¥94 million in the previous fiscal year and ¥93 million in the current fiscal year.

(1) Funded status of multi-employer plan

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Plan assets	¥72,648 million	¥10,534 million
Sum of actuarial obligations calculated for finance status of pension plan and minimum reserve	90,979	21,965
Net amount	(18,331)	(11,431)

(2) Group's proportion of total contributions to plan

Previous fiscal year 4.56% (From April 1, 2017 to March 31, 2018)

Current fiscal year 7.37% (From April 1, 2018 to March 31, 2019)

(3) Supplementary explanation

Major factors for the net amount in (1) above are the balance of past service liabilities (¥21,372 million as of March 31, 2017 and ¥11,851 million as of March 31, 2018) and surplus amount (¥3,041 million as of March 31, 2017 and ¥420 million as of March 31, 2018) for pension financing calculation.

The principal and interest of past service liabilities in this plan are amortized equally over 10 years and 6 months (equal amortization of principal and interest over 20 years until the previous fiscal year), and the Group recorded special contributions applied to such amortization (¥67 million as of March 31, 2017 and ¥66 million as of March 31, 2018) as expenses in the consolidated financial statements.

The proportions in (2) above are not consistent with the proportions actually funded by the Group.

Notes - Share options, etc.

Not applicable

Notes - Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Deferred tax assets		
Tax loss carry-forward (Note)	¥166 million	¥400 million
Accrued business tax	35	52
Net defined benefit liability	99	109
Provision for bonuses	74	69
Allowance for doubtful accounts	96	95
Provision for loss on order received	54	37
Loss on valuation of investment securities	274	246
Loss on valuation of investments in capital	39	112
Impairment loss	159	137
Depreciation	58	62
Asset retirement obligations	98	68
Other	250	247
Deferred tax assets subtotal	1,407	1,640
Valuation reserve for tax loss carry-forwards (Note)	–	(121)
Valuation reserve for the total of deductible temporary differences, etc.	–	(715)
Valuation reserve subtotal	(715)	(837)
Total deferred tax assets	692	802
Deferred tax liabilities		
Revaluation reserve for land	1,107	1,095
Valuation difference on available-for-sale securities	1,135	970
Reserve for advanced depreciation of non-current assets	881	876
Other	208	159
Total deferred tax liabilities	3,332	3,101

(Note) Amounts of tax loss carry-forwards and related deferred tax assets by carry-forward period

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	–	–	–	90	31	278	400
Valuation reserve	–	–	–	(90)	(31)	–	(121)
Deferred tax assets	–	–	–	–	–	278	278

(*) Tax loss carry-forwards represent the amount multiplied by the statutory effective tax rate.

2. Main components causing significant differences between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Statutory effective tax rate	30.86%	30.62%
Adjustments		
Increase/decrease in valuation reserve	(12.36)	0.70
Expenses not deductible for income tax purposes, such as entertainment expenses	1.19	1.75
Income not included for income tax purposes, such as dividends received	(0.44)	(0.91)
Per capita levy of inhabitant taxes	1.30	2.57
Effect of differences in tax rates applicable to subsidiaries from tax rate applicable to the Company	1.40	2.39
Retained earnings of overseas subsidiaries	(1.68)	(1.66)
Other	0.22	0.47
Actual effective tax rate	20.50	35.93

Notes - Asset retirement obligations

Of asset retirement obligations, items recorded on the consolidated balance sheet

a) Outline of asset retirement obligations
The asset retirement obligations of the Group are obligations in certain facilities for rent under the Ordinance on Prevention of Asbestos Hazards.

b) Calculation method for determining asset retirement obligation amount
The amount of asset retirement obligations was calculated assuming an estimated period of use of 31 years from acquisition, and using a discount rate from 2.2%.

c) Increase (decrease) in total asset retirement obligations

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Beginning balance	¥332 million	¥321 million
Decrease due to settlement of asset retirement obligations	(10)	(97)
Ending balance	321	224

Notes - Real estate for lease, etc.

The Company and certain subsidiaries rent out a space such as in their business places as well as land mainly for rental housing and buildings in the Tokyo metropolitan area and other areas. Rental profit related to the real estate for rent, etc. for the previous fiscal year was ¥418 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales). Rental profit related to the real estate for rent, etc. for the current fiscal year was ¥458 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales).
Carrying amounts on the consolidated balance sheet, changes during period for the previous and current fiscal years and fair values of the real estate for rent, etc. are as follows:

(Millions of yen)

		Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Carrying amount on the consolidated balance sheet			
	Balance at beginning of period	5,049	5,424
	Increase (decrease) during period	375	(809)
	Balance at end of period	5,424	4,615
Fair value at end of period		3,587	3,089

(Notes) 1. Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment loss from acquisition cost.

2. The increase (decrease) during period for the previous fiscal year primarily consist of an increase in rentable space (¥486 million), impairment loss (¥72 million) and decrease due to depreciation (¥38 million). The increase (decrease) during period for the current fiscal year primarily consist of a decrease in rentable space (¥439 million), a decrease due to sales of real estate (¥335 million) and decrease due to depreciation (¥34 million).

3. Fair value of property whose amount has significance at the end of the period is an amount based on a value investigation report by an external real property appraiser, and that of other property whose amount has little significance is an amount based on an index which is believed to reflect a market value appropriately.

Notes - Segment information, etc.

[Segment information]

1. Description of reportable segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resource allocation and assess their performance.
The Group develops comprehensive business strategies and engages in business activities for respective products and services of divisions by product and service in the Company and of Toyo Kanetsu Solutions K.K., a subsidiary of the Company.
Accordingly, the Company is comprised of segments by product and service, and its reportable segments consist of "Logistics Solutions Business" and "Plant & Machinery Business."
"Logistics Solutions Business" develops, designs, builds and executes construction works of, material handling systems focusing on sorting, picking and conveying systems and provides maintenance services and other operations for these systems. "Plant & Machinery Business" designs, builds, and executes construction works of, storage tanks for LNG, LPG, crude oil and other gas and liquid and provides maintenance services and other operations for these tanks.

The name of the reportable segment that was previously disclosed as "Material Handling Systems Business" has been changed to "Logistics Solutions Business" from the current fiscal year. This change was made only to the name, and does not affect the segment information. Segment information for the previous fiscal year has been provided under the changed name of the reportable segment.

2. Method of measurements of sales, profit (loss), asset, liability, and other items for each reportable segment

The accounting procedures for the reporting operating segments are nearly the same as those stated in "Significant accounting policies for preparation of the consolidated financial statements." Profits of the reportable segments are based on operating profit. Intersegment transactions are based on actual transaction amounts.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments			Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business	Total			
Sales						
Sales to external customers	25,939	10,030	35,969	5,788	–	41,758
Transactions with other segments	–	–	–	682	(682)	–
Total	25,939	10,030	35,969	6,470	(682)	41,758
Segment profit (loss)	1,931	(178)	1,753	914	(401)	2,265
Segment assets	17,434	10,252	27,686	12,479	15,651	55,818
Other items						
Depreciation	349	220	569	153	14	737
Increase in property, plant and equipment, and intangible assets	357	103	460	129	11	602

(Note) "Other" includes the building construction business, manufacturing and sales of industrial facilities and equipment, real estate rental operations, leasing operations and other operations.

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments			Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business	Total			
Sales						
Sales to external customers	29,274	8,421	37,696	7,492	–	45,188
Transactions with other segments	–	–	–	745	(745)	–
Total	29,274	8,421	37,696	8,237	(745)	45,188
Segment profit (loss)	1,907	(1,221)	686	1,108	(389)	1,406
Segment assets	31,326	10,405	41,732	13,129	9,894	64,756
Other items						
Depreciation	352	153	505	179	43	728
Increase in property, plant and equipment, and intangible assets	549	107	657	289	4	950

(Note) "Other" includes the building construction business, manufacturing and sales of industrial facilities and equipment, real estate rental operations, leasing operations, inspection, measurement and analysis of asbestos, etc. and other operations.

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segments total	1,753	686
Profit of “other”	914	1,108
Corporate expenses (Note)	(404)	(389)
Other adjustments	2	–
Operating profit in the consolidated financial statements	2,265	1,406

(Note) Corporate expenses mainly represent expenses related to administrative divisions such as the general affairs division, which are not attributable to the reportable segments.

(Millions of yen)

Asset	Previous fiscal year	Current fiscal year
Reportable segments total	27,686	41,732
Assets of “other”	12,479	13,129
Corporate assets (Note)	15,721	9,955
Other adjustments	(70)	(60)
Total assets in the consolidated financial statements	56,818	64,756

(Note) Corporate assets mainly represent assets related to divisions managing cash and deposits, investment securities and other assets of the Company, which are not attributable to the reportable segments.

[Information associated with reportable segments]

Previous fiscal year (From April 1, 2017 to March 31, 2018)

1. Information for each product and service

(Millions of yen)

	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	25,939	2,248	7,781	5,788	41,758

2. Information about geographical area

(1) Sales

(Millions of yen)

Japan	Southeast Asia	Other	Total
39,579	2,012	166	41,758

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)

Japan	Southeast Asia	Oceania	Total
14,755	908	46	15,710

3. Information for each of main customers

(Millions of yen)

Name of customer	Net sales	Related segment
ASKUL Corporation	8,354	Logistics Solutions Business

Current fiscal year (From April 1, 2018 to March 31, 2019)

1. Information for each product and service

(Millions of yen)

	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	29,274	2,168	6,253	7,492	45,188

2. Information about geographical area

(1) Sales

(Millions of yen)

Japan	Southeast Asia	Other	Total
42,312	2,700	176	45,188

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)

Japan	Southeast Asia	Oceania	Total
15,102	698	44	15,845

3. Information for each of main customers

This information has been omitted since sales to a specific customer account for less than 10% of net sales in the consolidated statement of income and comprehensive income.

[Disclosure of impairment loss on non-current assets for each reportable segment]

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments		Other	Adjustment	Total
	Logistics Solutions Business	Plant & Machinery Business			
Impairment loss	–	–	72	–	72

(Note) The amount of “other” is an amount related to real estate rental operations.

Current fiscal year (From April 1, 2018 to March 31, 2019)
Not applicable

[Amortization and unamortized balance of goodwill for each reportable segment]

Previous fiscal year (From April 1, 2017 to March 31, 2018)
Not applicable

Current fiscal year (From April 1, 2018 to March 31, 2019)
Not applicable

[Gain on bargain purchase for each reportable segment]

Previous fiscal year (From April 1, 2017 to March 31, 2018)
Not applicable

Current fiscal year (From April 1, 2018 to March 31, 2019)
In the first quarter, as a result of making Kankyo Research Co., Ltd. a subsidiary, the Company recorded gain on negative goodwill of ¥87 million as extraordinary income.
This gain on negative goodwill is not related to any specific reportable segment, and is included in “other.”

[Information associated with related parties]

Subsidiaries and others

1. Related party transactions
   Not applicable

2. Notes concerning the parent company or important affiliated companies
   Not applicable

Notes - Per share information

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	¥3,941.68	¥3,897.68
Basic earnings per share	¥251.26	¥112.80

(Notes) 1. The amount of diluted earnings per share is not provided because there are no potential shares.

2. 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 and basic earnings per share are calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

3. The basis for calculation for basic earnings per share is as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent	¥2,362 million	¥1,025 million
Profit not relating to common shareholders	–	–
Profit attributable to owners of parent pertaining to common shares	2,362	1,025
Average number of outstanding common shares	9,401 thousand shares	9,092 thousand shares

Notes - Significant events after reporting period

・ Purchase of treasury shares

The Company's Board of Directors made a resolution on May 14, 2019 for the Company to acquire its own shares pursuant to the provision of Article 156, Paragraph 1 of the Companies Act, as applied by replacing the relevant terms pursuant to the Act's provision of Article 165, Paragraph 3 and conducted the purchase of treasury shares according to the particulars stated below.

(1) Reason for purchase

To implement a flexible capital policy based on the shareholder return policy.

(2) Details of the matters relating to transaction

(i)	Type of the shares to be acquired:	Common shares
(ii)	Total number of shares to be repurchased:	Up to 100 thousand shares (Ratio of the total number of shares to be repurchased to the total number of shares issued (excluding treasury shares): 1.1%)
(iii)	Total price of repurchase:	Up to ¥200 million
(iv)	Repurchase period:	May 20, 2019 to June 21, 2019
(v)	Repurchase method:	Purchase on the stock exchange via a trust bank

The above purchase of treasury shares was ended as of May 29, 2019.

(i)	Type of the shares acquired:	Common shares
(ii)	Total number of shares repurchased:	89,700 shares
(iii)	Total price of repurchase:	¥199 million

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable

Annexed consolidated detailed schedule of borrowings

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Repayment due
Short-term loans payable	¥4,604	¥7,849	0.362	–
Current portion of long-term loans payable	15	514	0.916	–
Long-term loans payable (excluding current portion)	3,080	4,627	0.824	Between 2020 and 2026
Total	7,699	12,990	–	–

(Notes) 1. In calculating the average interest rate, the weighted average interest rate on the ending balance of loans payable, is shown.

2. Repayment of long-term loans payable (excluding the current portion) scheduled within five years after the balance sheet date is as follows:

Classification	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term loans payable	¥619 million	¥8 million	¥– million	¥1,700 million

Annexed consolidated detailed schedule of asset retirement obligations

A schedule of asset retirement obligations has been omitted since matters to be stated in the schedule are stated as notes prescribed in Article 15-23 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

(Cumulative period)	First quarter (Cumulative) (From April 1, 2018 to June 30, 2018)	Second quarter (Cumulative) (From April 1, 2018 to September 30, 2018)	Third quarter (Cumulative) (From April 1, 2018 to December 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales (Millions of yen)	7,603	17,100	26,963	45,188
Profit (loss) before income taxes (Millions of yen)	(61)	189	(18)	1,599
Profit (loss) attributable to owners of parent (Millions of yen)	78	121	(68)	1,025
Basic earnings (loss) per share(Yen)	8.55	13.32	(7.54)	112.80

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share(Yen)	8.55	4.75	(21.06)	121.07

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 27, 2019

To the Board of Directors of
Toyo Kanetsu K.K.

GYOSEI & CO.

Designated Partner
Engagement Partner
Certified Public Accountant Takayuki Nakagawa (seal)

Designated Partner
Engagement Partner
Certified Public Accountant Tetsuo Noguchi (seal)

Designated Partner
Engagement Partner
Certified Public Accountant Akira Mishima (seal)

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Toyo Kanetsu K.K. (the "Company"), which comprise the consolidated balance sheet as of March 31, 2019, and the consolidated statements of income and comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from April 1, 2018 to March 31, 2019, and significant accounting policies for preparation of the consolidated financial statements, other notes, and annexed consolidated detailed schedules, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent auditor. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the management's report on internal control referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2019 was effective, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Corporate Data

Date of Establishment	May 16, 1941
Common Stock	¥18,580 million
Authorized Shares	297,000,000
Capital Stock Issued	9,323,074
Number of Shareholders	9,130
Security Traded	Tokyo Stock Exchange, First Section
Transfer Agent and Registrar	The Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Annual Meeting	The annual meeting of shareholders is normally held in June in Tokyo, Japan

Directory

Head Office

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
Tel: +81-3-5857-3333 Fax: +81-3-5857-1952
URL: https://www.toyokanetsu.co.jp/global/

Logistic Solution Systems Business

Tel: +81-3-5857-3126 Fax: +81-3-5857-3185

Plant & Machinery Business

Tel: +81-3-5857-3109 Fax: +81-3-5857-3173

Osaka Sales Office

1-9-2, Senrioka-Higashi, Settsu, Osaka 566-0011, Japan
Tel: +81-72-645-2520 Fax: +81-72-645-2532

Chiba Plant

2 Tsukiji, Kisarazu, Chiba 292-0835, Japan
Tel: +81-438-36-7161 Fax: +81-438-36-8211

Domestic Subsidiaries

Toyo Kanetsu Builtec K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
Tel: +81-3-3640-5164 Fax: +81-3-6800-3156
URL: http://www.web-tkb.com

Toyo Service System K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
Tel: +81-3-5857-3200 Fax: +81-3-5857-3171
URL: https://www.toyoservice.co.jp

Toyo Koken K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
Tel: +81-3-5857-3161 Fax: +81-3-5857-3198
URL: https://www.toyokoken.co.jp/en

Kankyo Reserch Co., Ltd.

6-22, Okadomachi, Hachioji-shi, Tokyo 192-0054, Japan
Tel: +81-42-627-2810 Fax: +81-42-627-2820
URL: http://www.kankyo-research.co.jp/

Overseas Subsidiaries

PT Toyo Kanetsu Indonesia

(Jakarta Head Office)
Midplaza Building 1, 8th Floor, Jl. Jend. Sudirman Kav. 10-11,
Jakarta 10220, Indonesia
Tel: +62-21-570-7805 / 7739 Fax: +62-21-570-3950
URL: http://www.pttki.com/

Toyo Kanetsu Singapore Pte. Ltd.

16 Ayer Rajah Crescent, #03-04 Tempco Technominium,
3rd Floor, Singapore 139965
Tel: +65-6776-2393 Fax: +65-6773-1703

Toyo Kanetsu (Malaysia) Sdn. Bhd.

Sublot 51, 1st Floor, Medan Jaya Commercial Centre,
97000 Bintulu, Sarawak, Malaysia
Tel: +60-86-338-122 Fax: +60-86-338-123

TOYO KANETSU K.K.

Contact

TOYO KANETSU K.K.
Corporate Planning Department
Corporate Division

TEL: +81-3-5857-3333 FAX: +81-3-5857-3170
E-MAIL: tkkreport@toyokanetsu.co.jp
URL: https://www.toyokanetsu.co.jp/global/