

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 10, 2017

Company name: TOYO KANETSU K.K.
 Stock exchange listing: Tokyo
 Stock code: 6369 URL <http://www.toyokanetsu.co.jp>
 Representative: President and Representative Director Toru Yanagawa
 Executive Officer, General Manager of
 Inquiries: Financial Planning Department, Corporate Management Division Takeshi Yonehara TEL 03-5857-3333
 Scheduled date to file Quarterly Securities Report: November 13, 2017
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	22,100	11.5	1,634	(21.9)	1,910	(14.2)	1,482	(2.6)
Six months ended September 30, 2016	19,828	(14.9)	2,092	135.6	2,225	103.7	1,522	181.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	156.57	–
Six months ended September 30, 2016	147.85	–

(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the earnings per share is calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	56,050	35,991	64.2	3,819.21
As of March 31, 2017	53,228	35,481	66.7	3,702.00

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	0.00	–	12.00	12.00
Year ending March 31, 2018	–	0.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	100.00	100.00

(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the forecast for annual dividends per share for the year ending March 31, 2018 takes the share consolidation into account.

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	44,900	7.1	2,570	(16.6)	2,890	(16.0)	2,200	(41.3)	232.32

(Note) The forecast for earnings per share for the year ending March 31, 2018 takes the share consolidation into account.

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	9,703,074 shares	As of March 31, 2017	10,303,074 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	279,362 shares	As of March 31, 2017	718,748 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	9,469,870 shares	Six months ended September 30, 2016	10,294,738 shares
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(Note) The Company conducted a share consolidation at a ratio of 10 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, (i) the total number of issued shares at the end of the period, (ii) the number of treasury shares at the end of the period, and (iii) the average number of shares during the period, are calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	6,811	10,490
Notes and accounts receivable - trade	12,824	11,567
Lease investment assets	1,526	1,781
Securities	100	599
Merchandise and finished goods	54	47
Work in process	4,140	3,780
Raw materials and supplies	1,649	1,713
Deferred tax assets	582	334
Other	872	290
Allowance for doubtful accounts	(83)	(63)
Total current assets	28,479	30,541
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,578	3,538
Machinery, equipment and vehicles, net	1,132	1,052
Tools, furniture and fixtures, net	288	305
Land	10,965	10,780
Construction in progress	119	71
Other, net	0	0
Total property, plant and equipment	16,084	15,748
Intangible assets	418	377
Investments and other assets		
Investment securities	7,325	8,469
Deferred tax assets	41	34
Net defined benefit asset	358	305
Other	788	865
Allowance for doubtful accounts	(267)	(292)
Total investments and other assets	8,245	9,382
Total non-current assets	24,748	25,508
Total assets	53,228	56,050

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,347	1,742
Short-term loans payable	2,397	6,642
Current portion of long-term loans payable	60	45
Accrued expenses	4,324	3,846
Income taxes payable	647	414
Advances received	1,173	722
Provision for bonuses	258	267
Provision for loss on order received	674	218
Provision for warranties for completed construction	512	555
Other	709	741
Total current liabilities	13,104	15,197
Non-current liabilities		
Long-term loans payable	1,095	1,080
Deferred tax liabilities	1,692	1,908
Deferred tax liabilities for land revaluation	1,121	1,121
Net defined benefit liability	364	387
Asset retirement obligations	332	327
Other	37	37
Total non-current liabilities	4,642	4,861
Total liabilities	17,747	20,058
Net assets		
Shareholders' equity		
Capital stock	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	16,447	14,840
Treasury shares	(2,323)	(886)
Total shareholders' equity	33,978	33,807
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992	2,760
Deferred gains or losses on hedges	(14)	–
Revaluation reserve for land	163	163
Foreign currency translation adjustment	(652)	(728)
Remeasurements of defined benefit plans	14	(12)
Total accumulated other comprehensive income	1,503	2,183
Total net assets	35,481	35,991
Total liabilities and net assets	53,228	56,050

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	19,828	22,100
Cost of sales	15,318	17,837
Gross profit	4,509	4,263
Selling, general and administrative expenses	2,417	2,628
Operating profit	2,092	1,634
Non-operating income		
Interest income	12	6
Dividend income	184	208
Foreign exchange gains	–	19
Other	110	70
Total non-operating income	307	305
Non-operating expenses		
Interest expenses	7	18
Foreign exchange losses	145	–
Other	20	11
Total non-operating expenses	174	29
Ordinary profit	2,225	1,910
Extraordinary income		
Gain on sales of non-current assets	–	94
Gain on sales of investment securities	2	–
Other	0	–
Total extraordinary income	3	94
Extraordinary losses		
Head office relocation expenses	155	–
Loss on retirement of non-current assets	0	1
Other	35	1
Total extraordinary losses	191	2
Profit before income taxes	2,037	2,002
Income taxes - current	467	363
Income taxes - deferred	48	155
Total income taxes	515	519
Profit	1,522	1,482
Profit attributable to		
Profit attributable to owners of parent	1,522	1,482
Other comprehensive income		
Valuation difference on available-for-sale securities	(90)	768
Deferred gains or losses on hedges	0	14
Foreign currency translation adjustment	(109)	(75)
Remeasurements of defined benefit plans, net of tax	(31)	(27)
Total other comprehensive income	(230)	680
Comprehensive income	1,291	2,163
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,291	2,163

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	2,037	2,002
Depreciation	327	373
Amortization of goodwill	31	–
Increase (decrease) in allowance for doubtful accounts	12	5
Decrease (increase) in net defined benefit asset	84	13
Increase (decrease) in net defined benefit liability	(45)	16
Increase (decrease) in provision for loss on order received	(95)	(454)
Increase (decrease) in provision for warranties for completed construction	46	43
Interest and dividend income	(196)	(215)
Interest expenses	7	18
Head office relocation expenses	155	–
Foreign exchange losses (gains)	129	(24)
Loss (gain) on sales of investment securities	(2)	–
Loss on retirement of non-current assets	1	1
Loss (gain) on sales of non-current assets	0	(94)
Decrease (increase) in notes and accounts receivable - trade	(1,054)	1,172
Decrease (increase) in lease investment assets	(1)	(254)
Decrease (increase) in inventories	(1,252)	302
Decrease (increase) in advance payments	125	441
Increase (decrease) in notes and accounts payable - trade	(492)	(1,078)
Increase (decrease) in advances received	(394)	(452)
Other, net	(296)	170
Subtotal	(871)	1,988
Interest and dividend income received	199	215
Interest expenses paid	(7)	(16)
Payments for head office relocation expenses	(157)	–
Income taxes paid	(576)	(557)
Net cash provided by (used in) operating activities	(1,413)	1,630
Cash flows from investing activities		
Payments into time deposits	(202)	–
Proceeds from sales and redemption of securities	500	100
Purchase of non-current assets	(4,333)	(238)
Proceeds from sales of non-current assets	363	256
Purchase of investment securities	(0)	(634)
Proceeds from sales and redemption of investment securities	6	–
Other, net	152	(0)
Net cash provided by (used in) investing activities	(3,513)	(516)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10	4,241
Repayments of long-term loans payable	(30)	(30)
Purchase of treasury shares	(1)	(503)
Cash dividends paid	(511)	(1,143)
Net cash provided by (used in) financing activities	(531)	2,564
Effect of exchange rate change on cash and cash equivalents	(322)	(0)
Net increase (decrease) in cash and cash equivalents	(5,781)	3,678
Cash and cash equivalents at beginning of period	13,606	6,810
Cash and cash equivalents at end of period	7,825	10,488