

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

May 9, 2018

Company name: KYOWA EXEO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1951 URL <http://www.exeo.co.jp/>
 Representative: President Fuminori Kozono
 Inquiries: Operating Officer, General Manager, Hideo Higuchi TEL 03-5778-1105
 Accounts & Finance Division
 Scheduled date of ordinary general meeting of shareholders: June 22, 2018
 Scheduled date to file Securities Report: June 22, 2018
 Scheduled date to commence dividend payments: June 25, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	312,669	4.6	25,621	22.7	26,448	23.5	17,993	30.5
Year ended March 31, 2017	298,825	4.0	20,873	13.4	21,409	15.7	13,789	13.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	189.42	188.72	10.8	10.4	8.2
Year ended March 31, 2017	145.24	144.87	8.9	8.9	7.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	263,632	176,101	66.6	1,842.97
As of March 31, 2017	243,438	158,280	64.8	1,668.29

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	24,800	(4,538)	(5,137)	30,343
Year ended March 31, 2017	15,504	(6,027)	(10,230)	15,241

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	23.00	–	23.00	46.00	4,389	31.7	2.8
Year ended March 31, 2018	–	25.00	–	25.00	50.00	4,786	26.4	2.8
Year ending March 31, 2019 (Forecast)	–	32.00	–	32.00	64.00		32.3	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	128,000	2.4	8,200	(7.9)	8,500	(12.4)	5,700	(10.4)	60.05
Full year	335,000	7.1	27,500	7.3	28,100	6.2	18,800	4.5	198.33

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2018	117,812,419 shares	As of March 31, 2017	117,812,419 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	22,545,402 shares	As of March 31, 2017	23,221,906 shares
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Average number of shares during the period

Year ended March 31, 2018	94,991,522 shares	Year ended March 31, 2017	94,938,161 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	15,431	26,095
Notes receivable, accounts receivable from completed construction contracts	96,080	92,185
Securities	63	4,499
Costs on uncompleted construction contracts and other	24,159	27,617
Deferred tax assets	3,733	3,914
Other	2,927	1,967
Allowance for doubtful accounts	(0)	(1)
Total current assets	142,395	156,280
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,074	21,003
Machinery, vehicles, tools, furniture and fixtures, net	4,710	4,542
Land	36,197	36,602
Other, net	1,021	516
Total property, plant and equipment	62,002	62,664
Intangible assets		
Goodwill	1,053	658
Other	3,360	3,251
Total intangible assets	4,414	3,909
Investments and other assets		
Investment securities	17,093	19,833
Net defined benefit asset	14,520	17,947
Other	4,228	3,231
Allowance for doubtful accounts	(1,216)	(235)
Total investments and other assets	34,626	40,777
Total non-current assets	101,042	107,351
Total assets	243,438	263,632

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	36,606	34,802
Short-term loans payable	826	1,012
Income taxes payable	4,142	5,004
Advances received on uncompleted construction contracts	3,457	3,574
Provision for bonuses	1,242	1,421
Provision for directors' bonuses	129	126
Provision for warranties for completed construction	57	58
Provision for loss on construction contracts	507	290
Other	14,314	16,870
Total current liabilities	61,283	63,161
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	1,390	10
Deferred tax liabilities	5,244	7,293
Provision for directors' retirement benefits	257	272
Allowance for investment loss	206	42
Net defined benefit liability	4,925	5,070
Other	1,851	1,680
Total non-current liabilities	23,874	24,369
Total liabilities	85,158	87,531
Net assets		
Shareholders' equity		
Capital stock	6,888	6,888
Capital surplus	7,978	8,098
Retained earnings	156,477	169,883
Treasury shares	(24,011)	(23,187)
Total shareholders' equity	147,333	161,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,566	5,198
Foreign currency translation adjustment	15	11
Remeasurements of defined benefit plans	6,888	8,681
Total accumulated other comprehensive income	10,470	13,891
Share acquisition rights	288	285
Non-controlling interests	187	242
Total net assets	158,280	176,101
Total liabilities and net assets	243,438	263,632

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales of completed construction contracts	298,825	312,669
Cost of sales of completed construction contracts	260,344	269,315
Gross profit on completed construction contracts	38,480	43,354
Selling, general and administrative expenses	17,607	17,732
Operating profit	20,873	25,621
Non-operating income		
Interest income	4	4
Dividend income	315	403
Land and house rent received	572	401
Gain on sales of non-current assets	437	114
Reversal of allowance for investment loss	–	170
Reversal of allowance for doubtful accounts	111	34
Gain on exchange of investment securities	203	–
Other	290	269
Total non-operating income	1,936	1,398
Non-operating expenses		
Interest expenses	49	33
Rent expenses	185	105
Loss on sales of non-current assets	516	57
Loss on retirement of non-current assets	45	68
Foreign exchange losses	143	169
Other	458	137
Total non-operating expenses	1,400	571
Ordinary profit	21,409	26,448
Extraordinary income		
Gain on sales of investment securities	1,262	–
Gain on abolishment of retirement benefit plan	209	–
Total extraordinary income	1,471	–
Extraordinary losses		
Impairment loss	2,159	–
Total extraordinary losses	2,159	–
Profit before income taxes	20,721	26,448
Income taxes - current	7,719	8,018
Income taxes - deferred	(737)	375
Total income taxes	6,982	8,393
Profit	13,739	18,054
Profit (loss) attributable to non-controlling interests	(50)	61
Profit attributable to owners of parent	13,789	17,993

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	13,739	18,054
Other comprehensive income		
Valuation difference on available-for-sale securities	(554)	1,631
Foreign currency translation adjustment	(30)	(10)
Remeasurements of defined benefit plans, net of tax	216	1,793
Total other comprehensive income	(368)	3,414
Comprehensive income	13,370	21,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,438	21,413
Comprehensive income attributable to non-controlling interests	(68)	55

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,888	7,939	147,004	(21,910)	139,922
Cumulative effects of changes in accounting policies			22		22
Restated balance	6,888	7,939	147,027	(21,910)	139,945
Changes of items during period					
Dividends of surplus			(4,338)		(4,338)
Profit attributable to owners of parent			13,789		13,789
Purchase of treasury shares				(3,002)	(3,002)
Disposal of treasury shares		38		167	206
Transfer of treasury shares via trust				733	733
Net changes of items other than shareholders' equity					
Total changes of items during period	-	38	9,450	(2,101)	7,388
Balance at end of current period	6,888	7,978	156,477	(24,011)	147,333

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,121	28	6,671	10,821	241	255	151,241
Cumulative effects of changes in accounting policies							22
Restated balance	4,121	28	6,671	10,821	241	255	151,263
Changes of items during period							
Dividends of surplus							(4,338)
Profit attributable to owners of parent							13,789
Purchase of treasury shares							(3,002)
Disposal of treasury shares							206
Transfer of treasury shares via trust							733
Net changes of items other than shareholders' equity	(554)	(12)	216	(350)	47	(68)	(371)
Total changes of items during period	(554)	(12)	216	(350)	47	(68)	7,016
Balance at end of current period	3,566	15	6,888	10,470	288	187	158,280

Fiscal year ended 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	6,888	7,978	156,477	(24,011)	147,333
Cumulative effects of changes in accounting policies					–
Restated balance	6,888	7,978	156,477	(24,011)	147,333
Changes of items during period					
Dividends of surplus			(4,588)		(4,588)
Profit attributable to owners of parent			17,993		17,993
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		120		311	431
Transfer of treasury shares via trust				515	515
Net changes of items other than shareholders' equity					
Total changes of items during period	–	120	13,405	823	14,349
Balance at end of current period	6,888	8,098	169,883	(23,187)	161,682

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,566	15	6,888	10,470	288	187	158,280
Cumulative effects of changes in accounting policies							–
Restated balance	3,566	15	6,888	10,470	288	187	158,280
Changes of items during period							
Dividends of surplus							(4,588)
Profit attributable to owners of parent							17,993
Purchase of treasury shares							(3)
Disposal of treasury shares							431
Transfer of treasury shares via trust							515
Net changes of items other than shareholders' equity	1,631	(4)	1,793	3,420	(3)	55	3,471
Total changes of items during period	1,631	(4)	1,793	3,420	(3)	55	17,820
Balance at end of current period	5,198	11	8,681	13,891	285	242	176,101

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	20,721	26,448
Depreciation	3,251	3,272
Impairment loss	2,159	0
Amortization of goodwill	929	395
Increase (decrease) in allowance for doubtful accounts	(148)	(980)
Increase (decrease) in provision for bonuses	117	179
Increase (decrease) in provision for warranties for completed construction	(850)	0
Increase (decrease) in provision for loss on construction contracts	248	(216)
Increase in Defined Benefit Asset or Liability	(399)	(694)
Interest and dividend income	(319)	(407)
Interest expenses	49	(33)
Loss (gain) on sales of non-current assets	79	(56)
Loss (gain) on sales of investment securities	(1,262)	0
Gain on exchange of investment securities	(203)	–
Gain on abolishment of retirement benefit plan	(209)	–
Decrease (increase) in notes and accounts receivable - trade	(3,127)	3,892
Decrease (increase) in costs on uncompleted construction contracts and other	(2,659)	(3,447)
Decrease (increase) in other assets	965	2,175
Increase (decrease) in notes and accounts payable - trade	(1,014)	(1,802)
Increase (decrease) in advances received on uncompleted construction contracts	204	118
Increase (decrease) in other liabilities	2,671	2,327
Other, net	390	285
Subtotal	21,595	31,456
Interest and dividend income received	318	408
Interest expenses paid	(66)	33
Income taxes paid	(6,343)	(7,098)
Net cash provided by (used in) operating activities	15,504	24,800
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,761)	(3,214)
Proceeds from sales of property, plant and equipment	901	352
Purchase of intangible assets	(2,416)	(1,010)
Purchase of investment securities	(443)	(429)
Proceeds from sales of investment securities	1,686	0
Payments of loans receivable	(111)	(204)
Collection of loans receivable	1	1
Decrease (increase) in time deposits and other	44	1
Other, net	72	(35)
Net cash provided by (used in) investing activities	(6,027)	(4,538)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,306)	(100)
Proceeds from issuance of bonds	9,991	–
Repayments of long-term loans payable	(1,227)	(1,093)
Purchase of treasury shares	(3,002)	(3)
Proceeds from sales of treasury shares	153	308
Transfer of treasury shares via trust	733	515
Cash dividends paid	(4,329)	(4,581)
Other, net	(244)	(182)
Net cash provided by (used in) financing activities	(10,230)	(5,137)
Effect of exchange rate change on cash and cash equivalents	(42)	(23)
Net increase (decrease) in cash and cash equivalents	(796)	15,101
Cash and cash equivalents at beginning of period	16,037	15,241
Cash and cash equivalents at end of period	15,241	30,343