

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

May 14, 2019

Company name: KYOWA EXEO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1951 URL <http://www.exeo.co.jp/>
 Representative: President Fuminori Kozono
 Managing Executive Officer, General
 Inquiries: Manager, Accounts & Finance Division Hideo Higuchi TEL 03-5778-1105
 Scheduled date of ordinary general meeting of shareholders: June 21, 2019
 Scheduled date to file Securities Report: June 21, 2019
 Scheduled date to commence dividend payments: June 24, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

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

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2019	423,727	35.5	31,716	23.8	33,431	26.4	40,219	123.5
Year ended March 31, 2018	312,669	4.6	25,621	22.7	26,448	23.5	17,993	30.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	390.25	388.92	18.3	9.9	7.5
Year ended March 31, 2018	189.42	188.72	10.8	10.5	8.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	416,483	267,811	63.4	2,343.43
As of March 31, 2018	261,305	176,101	67.2	1,842.97

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	12,770	(17,609)	(4,924)	41,469
Year ended March 31, 2018	24,800	(4,538)	(5,137)	30,343

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	–	25.00	–	25.00	50.00	4,786	26.4	2.8
Year ended March 31, 2019	–	32.00	–	38.00	70.00	7,318	17.9	3.3
Year ending March 31, 2020 (Forecast)	–	40.00	–	40.00	80.00		40.9	

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

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	495,000	16.8	32,000	0.9	32,800	(1.9)	21,800	(45.8)	195.80

4. Notes

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

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

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

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

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2019	117,812,419 shares	As of March 31, 2018	117,812,419 shares
----------------------	--------------------	----------------------	--------------------

Number of treasury shares at the end of the period

As of March 31, 2019	5,201,053 shares	As of March 31, 2018	22,545,402 shares
----------------------	------------------	----------------------	-------------------

Average number of shares during the period

Year ended March 31, 2019	103,061,286 shares	Year ended March 31, 2018	94,991,522 shares
---------------------------	--------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	26,095	41,805
Notes receivable, accounts receivable from completed construction contracts	92,185	156,361
Securities	4,499	895
Costs on uncompleted construction contracts and other	27,617	38,401
Other	1,967	4,403
Allowance for doubtful accounts	(1)	(158)
Total current assets	152,365	241,708
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,003	31,603
Machinery, vehicles, tools, furniture and fixtures, net	4,542	8,738
Land	36,602	55,403
Other, net	516	2,209
Total property, plant and equipment	62,664	97,955
Intangible assets		
Goodwill	658	10,259
Other	3,251	4,502
Total intangible assets	3,909	14,762
Investments and other assets		
Investment securities	19,833	37,917
Retirement benefit asset	17,947	16,283
Other	4,819	8,341
Allowance for doubtful accounts	(235)	(485)
Total investments and other assets	42,365	62,056
Total non-current assets	108,940	174,774
Total assets	261,305	416,483

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	34,802	59,265
Short-term loans payable	1,012	13,069
Income taxes payable	5,004	7,498
Advances received on uncompleted construction contracts	3,574	5,487
Provision for bonuses	1,421	3,744
Provision for bonuses for directors (and other officers)	126	420
Provision for warranties for completed construction	58	86
Provision for loss on construction contracts	290	344
Other	16,870	24,489
Total current liabilities	63,161	114,406
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	10	4,659
Deferred tax liabilities	4,966	6,965
Provision for retirement benefits for directors (and other officers)	272	604
Allowance for investment loss	42	—
Retirement benefit liability	5,070	9,283
Other	1,680	2,753
Total non-current liabilities	22,042	34,265
Total liabilities	85,204	148,671
Net assets		
Shareholders' equity		
Capital stock	6,888	6,888
Capital surplus	8,098	47,868
Retained earnings	169,883	204,647
Treasury shares	(23,187)	(6,534)
Total shareholders' equity	161,682	252,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,198	4,603
Foreign currency translation adjustment	11	(65)
Remeasurements of defined benefit plans	8,681	6,488
Total accumulated other comprehensive income	13,891	11,026
Share acquisition rights	285	355
Non-controlling interests	242	3,559
Total net assets	176,101	267,811
Total liabilities and net assets	261,305	416,483

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales of completed construction contracts	312,669	423,727
Cost of sales of completed construction contracts	269,315	365,389
Gross profit on completed construction contracts	43,354	58,337
Selling, general and administrative expenses	17,732	26,620
Operating profit	25,621	31,716
Non-operating income		
Interest income	4	16
Dividend income	403	537
Land and house rent received	401	295
Gain on sales of non-current assets	114	592
Reversal of allowance for investment loss	170	–
Gain on step acquisitions	–	346
Other	303	679
Total non-operating income	1,398	2,468
Non-operating expenses		
Interest expenses	33	48
Impairment loss	–	135
Loss on sales of non-current assets	57	4
Loss on retirement of non-current assets	68	118
Loss on valuation of investment securities	1	106
Foreign exchange losses	169	–
Other	241	340
Total non-operating expenses	571	753
Ordinary profit	26,448	33,431
Extraordinary income		
Gain on bargain purchase	–	18,313
Total extraordinary income	–	18,313
Extraordinary losses		
Goodwill amortization	–	126
Total extraordinary losses	–	126
Profit before income taxes	26,448	51,617
Income taxes - current	8,018	11,943
Income taxes - deferred	375	(658)
Total income taxes	8,393	11,284
Profit	18,054	40,333
Profit attributable to non-controlling interests	61	113
Profit attributable to owners of parent	17,993	40,219

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	18,054	40,333
Other comprehensive income		
Valuation difference on available-for-sale securities	1,631	(625)
Foreign currency translation adjustment	(10)	(92)
Remeasurements of defined benefit plans, net of tax	1,793	(2,193)
Total other comprehensive income	3,414	(2,911)
Comprehensive income	21,469	37,421
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,413	37,354
Comprehensive income attributable to non-controlling interests	55	67

Consolidated statements of changes in equity

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
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
Changes in Stock exchange					–
Increase in treasury stock due to increase in consolidated subsidiaries					–
Change of scope of consolidation					–
Change in equity due to additional acquisition of consolidated subsidiary stock					–
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
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
Changes in Stock exchange							–
Increase in treasury stock due to increase in consolidated subsidiaries							–
Change of scope of consolidation							–
Change in equity due to additional acquisition of consolidated subsidiary stock							–
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

Fiscal year ended 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	6,888	8,098	169,883	(23,187)	161,682
Changes of items during period					
Dividends of surplus			(5,433)		(5,433)
Profit attributable to owners of parent			40,219		40,219
Purchase of treasury shares				(3,015)	(3,015)
Disposal of treasury shares		123		277	400
Changes in Stock exchange		39,639		19,862	59,502
Increase in treasury stock due to increase in consolidated subsidiaries				(1,157)	(1,157)
Change of scope of consolidation			(21)		(21)
Change in equity due to additional acquisition of consolidated subsidiary stock		7			7
Transfer of treasury shares via trust				685	685
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	39,770	34,764	16,653	91,187
Balance at end of current period	6,888	47,868	204,647	(6,534)	252,870

	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	5,198	11	8,681	13,891	285	242	176,101
Changes of items during period							
Dividends of surplus							(5,433)
Profit attributable to owners of parent							40,219
Purchase of treasury shares							(3,015)
Disposal of treasury shares							400
Changes in Stock exchange							59,502
Increase in treasury stock due to increase in consolidated subsidiaries							(1,157)
Change of scope of consolidation							(21)
Change in equity due to additional acquisition of consolidated subsidiary stock							7
Transfer of treasury shares via trust							685
Net changes of items other than shareholders' equity	(594)	(76)	(2,193)	(2,865)	70	3,317	522
Total changes of items during period	(594)	(76)	(2,193)	(2,865)	70	3,317	91,710
Balance at end of current period	4,603	(65)	6,488	11,026	355	3,559	267,811

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	26,448	51,617
Depreciation	3,272	4,725
Impairment loss	0	135
Amortization of goodwill	395	1,201
Gain on bargain purchase	–	(18,313)
Increase (decrease) in allowance for doubtful accounts	(980)	50
Increase (decrease) in provision for bonuses	179	419
Increase (decrease) in provision for warranties for completed construction	0	28
Increase (decrease) in provision for loss on construction contracts	(216)	(106)
Increase in Defined Benefit Asset or Liability	(694)	(1,231)
Interest and dividend income	(407)	(554)
Interest expenses	33	48
Loss (gain) on sales of non-current assets	(56)	(580)
Loss (gain) on sales of investment securities	0	(67)
Decrease (increase) in notes and accounts receivable - trade	3,892	(28,202)
Decrease (increase) in costs on uncompleted construction contracts and other	(3,447)	701
Decrease (increase) in other assets	2,175	(1,009)
Increase (decrease) in notes and accounts payable - trade	(1,802)	9,240
Increase (decrease) in advances received on uncompleted construction contracts	118	198
Increase (decrease) in other liabilities	2,327	4,528
Other, net	285	356
Subtotal	31,523	23,187
Interest and dividend income received	408	552
Interest expenses paid	(33)	(49)
Income taxes paid	(7,098)	(10,920)
Net cash provided by (used in) operating activities	24,800	12,770
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,214)	(2,757)
Proceeds from sales of property, plant and equipment	352	698
Purchase of intangible assets	(1,010)	(1,079)
Purchase of investment securities	(429)	(484)
Proceeds from sales of investment securities	0	233
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(16,961)
Payments of loans receivable	(204)	(358)
Collection of loans receivable	1	3,098
Decrease (increase) in time deposits and other	1	20
Other, net	(35)	(20)
Net cash provided by (used in) investing activities	(4,538)	(17,609)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	4,130
Repayments of long-term loans payable	(1,093)	(2,474)
Proceeds from long-term loans payable	–	1,260
Purchase of treasury shares	(3)	(3,015)
Proceeds from sales of treasury shares	308	339
Transfer of treasury shares via trust	515	685
Cash dividends paid	(4,581)	(5,425)
Other, net	(182)	(426)
Net cash provided by (used in) financing activities	(5,137)	(4,924)
Effect of exchange rate change on cash and cash equivalents	(23)	(113)
Net increase (decrease) in cash and cash equivalents	15,101	(9,877)
Cash and cash equivalents at beginning of period	15,241	30,343
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	55
Increase in cash and cash equivalents due to share exchange	–	20,948
Cash and cash equivalents at end of period	30,343	41,469