

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 14, 2020

Company name: KYOWA EXEO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1951 URL <http://www.exeo.co.jp/>
 Representative: President and CEO Tetsuya Funabashi
 Director and Managing Operating
 Inquiries: Officer, General Manager, Accounts & Hideo Higuchi TEL 03-5778-1105
 Finance Division
 Scheduled date of ordinary general meeting of shareholders: June 24, 2020
 Scheduled date to file Securities Report: June 24, 2020
 Scheduled date to commence dividend payments: June 25, 2020
 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, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	524,574	23.8	31,100	(1.9)	30,669	(8.3)	15,603	(61.2)
Year ended March 31, 2019	423,727	35.5	31,716	23.8	33,431	26.4	40,219	123.5

	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, 2020	139.75	139.48	5.9	7.1	5.9
Year ended March 31, 2019	390.25	388.92	18.3	9.9	7.5

(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, 2020	444,905	270,109	59.9	2,395.16
As of March 31, 2019	416,483	267,811	63.4	2,343.43

(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, 2020	17,299	(17,085)	4,227	46,012
Year ended March 31, 2019	12,770	(17,609)	(4,924)	41,469

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, 2019	–	32.00	–	38.00	70.00	7,318	17.9	3.3
Year ended March 31, 2020	–	40.00	–	40.00	80.00	8,972	57.2	3.4
Year ending March 31, 2021 (Forecast)	–	41.00	–	41.00	82.00		43.4	

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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	525,000	0.1	32,000	2.9	33,000	7.6	21,100	35.2	189.12

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(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, 2020	117,812,419 shares	As of March 31, 2019	117,812,419 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	6,566,121 shares	As of March 31, 2019	5,201,053 shares
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Average number of shares during the period

Year ended March 31, 2020	111,652,764 shares	Year ended March 31, 2019	103,061,286 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	41,805	47,550
Notes receivable, accounts receivable from completed construction contracts	156,361	166,098
Securities	895	898
Costs on construction contracts in progress	38,401	42,542
Other	4,403	7,013
Allowance for doubtful accounts	(158)	(94)
Total current assets	241,708	264,009
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,603	34,447
Machinery, vehicles, tools, furniture and fixtures, net	8,738	11,818
Land	55,403	58,654
Other, net	2,209	2,757
Total property, plant and equipment	97,955	107,677
Intangible assets		
Goodwill	10,259	7,640
Other	4,502	5,136
Total intangible assets	14,762	12,777
Investments and other assets		
Investment securities	37,917	34,721
Retirement benefit asset	16,283	17,059
Other	8,341	9,096
Allowance for doubtful accounts	(485)	(436)
Total investments and other assets	62,056	60,440
Total non-current assets	174,774	180,895
Total assets	416,483	444,905

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	59,265	60,037
Short-term borrowings	13,069	6,817
Income taxes payable	7,498	7,863
Advances received on construction contracts in progress	5,487	9,762
Provision for bonuses	3,744	4,559
Provision for bonuses for directors (and other officers)	420	478
Provision for warranties for completed construction	86	130
Provision for loss on construction contracts	344	2,610
Other	24,489	25,872
Total current liabilities	114,406	118,132
Non-current liabilities		
Bonds payable	10,000	30,000
Long-term borrowings	4,659	8,965
Deferred tax liabilities	6,965	5,681
Provision for retirement benefits for directors (and other officers)	604	750
Retirement benefit liability	9,283	8,436
Other	2,753	2,828
Total non-current liabilities	34,265	56,662
Total liabilities	148,671	174,795
Net assets		
Shareholders' equity		
Share capital	6,888	6,888
Capital surplus	47,868	49,604
Retained earnings	204,647	211,195
Treasury shares	(6,534)	(11,795)
Total shareholders' equity	252,870	255,893
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,603	4,210
Foreign currency translation adjustment	(65)	193
Remeasurements of defined benefit plans	6,488	6,156
Total accumulated other comprehensive income	11,026	10,559
Share acquisition rights	355	318
Non-controlling interests	3,559	3,337
Total net assets	267,811	270,109
Total liabilities and net assets	416,483	444,905

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales of completed construction contracts	423,727	524,574
Cost of sales of completed construction contracts	365,389	456,247
Gross profit on completed construction contracts	58,337	68,327
Selling, general and administrative expenses	26,620	37,226
Operating profit	31,716	31,100
Non-operating income		
Interest income	16	36
Dividend income	537	749
Rental income from land and buildings	295	415
Other	1,618	875
Total non-operating income	2,468	2,076
Non-operating expenses		
Interest expenses	48	208
Impairment loss	135	411
Loss on valuation of investment securities	106	425
Foreign exchange losses	–	522
Other	463	938
Total non-operating expenses	753	2,507
Ordinary profit	33,431	30,669
Extraordinary income		
Gain on sales of investment securities	–	658
Gain on bargain purchase	18,313	–
Total extraordinary income	18,313	658
Extraordinary losses		
Goodwill amortization	126	–
Goodwill impairment loss	–	4,473
Total extraordinary losses	126	4,473
Profit before income taxes	51,617	26,854
Income taxes - current	11,943	11,438
Income taxes - deferred	(658)	(240)
Total income taxes	11,284	11,198
Profit	40,333	15,656
Profit attributable to non-controlling interests	113	53
Profit attributable to owners of parent	40,219	15,603

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	40,333	15,656
Other comprehensive income		
Valuation difference on available-for-sale securities	(625)	(394)
Foreign currency translation adjustment	(92)	265
Remeasurements of defined benefit plans, net of tax	(2,193)	(332)
Total other comprehensive income	(2,911)	(461)
Comprehensive income	37,421	15,195
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	37,354	15,137
Comprehensive income attributable to non-controlling interests	67	58

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,888	8,098	169,883	(23,187)	161,682
Changes 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
Receiv of treasury shares via trust					–
Transfer of treasury shares via trust				685	685
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 in scope of consolidation			(21)		(21)
Change in equity due to additional acquisition of consolidated subsidiary stock		7			7
Sales of shares of consolidated subsidiaries					–
Merger between consolidated subsidiaries and unconsolidated subsidiaries					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	39,770	34,764	16,653	91,187
Balance at end of 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 period	5,198	11	8,681	13,891	285	242	176,101
Changes 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
Recieve of treasury shares via trust							–
Transfer of treasury shares via trust							685
Changes in Stock exchange							59,502
Increase in treasury stock due to increase in consolidated subsidiaries							(1,157)
Change in scope of consolidation							(21)
Change in equity due to additional acquisition of consolidated subsidiary stock							7
Sales of shares of consolidated subsidiaries							–
Merger between consolidated subsidiaries and unconsolidated subsidiaries							–
Net changes in items other than shareholders' equity	(594)	(76)	(2,193)	(2,865)	70	3,317	522
Total changes during period	(594)	(76)	(2,193)	(2,865)	70	3,317	91,710
Balance at end of period	4,603	(65)	6,488	11,026	355	3,559	267,811

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,888	47,868	204,647	(6,534)	252,870
Changes during period					
Dividends of surplus			(8,764)		(8,764)
Profit attributable to owners of parent			15,603		15,603
Purchase of treasury shares				(5,009)	(5,009)
Disposal of treasury shares		1,563		2,167	3,731
Recieve of treasury shares via trust				(3,079)	(3,079)
Transfer of treasury shares via trust				659	659
Changes in Stock exchange					–
Increase in treasury stock due to increase in consolidated subsidiaries					–
Change in scope of consolidation			11		11
Change in equity due to additional acquisition of consolidated subsidiary stock		(2)			(2)
Sales of shares of consolidated subsidiaries		174			174
Merger between consolidated subsidiaries and unconsolidated subsidiaries			(302)		(302)
Net changes in items other than shareholders' equity					–
Total changes during period	–	1,735	6,547	(5,261)	3,022
Balance at end of period	6,888	49,604	211,195	(11,795)	255,893

	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 period	4,603	(65)	6,488	11,026	355	3,559	267,811
Changes during period							
Dividends of surplus							(8,764)
Profit attributable to owners of parent							15,603
Purchase of treasury shares							(5,009)
Disposal of treasury shares							3,731
Recieve of treasury shares via trust							(3,079)
Transfer of treasury shares via trust							659
Changes in Stock exchange							–
Increase in treasury stock due to increase in consolidated subsidiaries							–
Change in scope of consolidation							11
Change in equity due to additional acquisition of consolidated subsidiary stock							(2)
Sales of shares of consolidated subsidiaries							174
Merger between consolidated subsidiaries and unconsolidated subsidiaries							(302)
Net changes in items other than shareholders' equity	(392)	258	(331)	(466)	(36)	(221)	(724)
Total changes during period	(392)	258	(331)	(466)	(36)	(221)	2,298
Balance at end of period	4,210	193	6,156	10,559	318	3,337	270,109

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	51,617	26,854
Depreciation	4,725	6,473
Impairment loss	135	411
Goodwill impairment loss	–	4,473
Amortization of goodwill	1,201	1,987
Gain on bargain purchase	(18,313)	(65)
Increase (decrease) in allowance for doubtful accounts	50	(117)
Increase (decrease) in provision for bonuses	419	715
Increase (decrease) in provision for warranties for completed construction	28	44
Increase (decrease) in provision for loss on construction contracts	(106)	2,266
Increase in Defined Benefit Asset or Liability	(1,231)	(2,233)
Interest and dividend income	(554)	(785)
Interest expenses	48	208
Loss (gain) on sales of non-current assets	(588)	(19)
Loss (gain) on sales of investment securities	(67)	(480)
Decrease (increase) in trade receivables	(28,202)	(8,581)
Decrease (increase) in costs on construction contracts in progress	701	(3,517)
Decrease (increase) in other assets	(1,009)	(2,916)
Increase (decrease) in trade payables	9,240	408
Increase (decrease) in advances received on construction contracts in progress	198	4,099
Increase (decrease) in other liabilities	4,528	(1,474)
Other, net	364	436
Subtotal	23,187	28,188
Interest and dividends received	552	786
Interest paid	(49)	(170)
Income taxes paid	(10,920)	(11,505)
Net cash provided by (used in) operating activities	12,770	17,299
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,757)	(12,693)
Proceeds from sales of property, plant and equipment	698	810
Purchase of intangible assets	(1,079)	(1,827)
Purchase of investment securities	(484)	(1,587)
Proceeds from sales of investment securities	233	4,038
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,961)	(5,083)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(128)
Loan advances	(358)	(125)
Collection of loans receivable	3,098	45
Decrease (increase) in time deposits and other	20	(184)
Other, net	(20)	(350)
Net cash provided by (used in) investing activities	(17,609)	(17,085)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,130	(6,821)
Proceeds from issuance of bonds	–	19,904
Repayments of long-term borrowings	(2,474)	(2,609)
Proceeds from long-term borrowings	1,260	7,474
Purchase of treasury shares	(3,015)	(5,009)
Proceeds from sales of treasury shares	339	3,620
Receive of treasury shares via trust	–	(3,079)
Transfer of treasury shares via trust	685	659
Dividends paid	(5,425)	(8,749)
Dividends paid to non-controlling interests	–	(36)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(96)	(655)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	287
Other, net	(329)	(758)
Net cash provided by (used in) financing activities	(4,924)	4,227
Effect of exchange rate change on cash and cash equivalents	(113)	(18)
Net increase (decrease) in cash and cash equivalents	(9,877)	4,422
Cash and cash equivalents at beginning of period	30,343	41,469
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	55	5
Increase in cash and cash equivalents resulting from merger of consolidated and non-consolidated subsidiaries	–	114
Increase in cash and cash equivalents due to share exchange	20,948	–
Cash and cash equivalents at end of period	41,469	46,012