

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, 2021 (Based on Japanese GAAP)

May 14, 2021

Company name: KYOWA EXEO CORPORATION

Stock exchange listing: Tokyo

Stock code: 1951 URL <https://www.exeo.co.jp/>

Representative: President and CEO Tetsuya Funabashi

Inquiries: Director and Managing Operating Officer, General Manager, Accounts & Finance Division Hideo Higuchi TEL 03-5778-1105

Scheduled date of ordinary general meeting of shareholders: June 23, 2021

Scheduled date to file Securities Report: June 23, 2021

Scheduled date to commence dividend payments: June 24, 2021

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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	573,339	9.3	36,623	17.8	38,186	24.5	24,192	55.0
Year ended March 31, 2020	524,574	23.8	31,100	(1.9)	30,669	(8.3)	15,603	(61.2)

	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, 2021	217.33	217.05	8.8	8.2	6.4
Year ended March 31, 2020	139.75	139.48	5.9	7.1	5.9

(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, 2021	491,574	288,884	58.1	2,576.78
As of March 31, 2020	444,905	270,109	59.9	2,395.16

(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, 2021	6,301	(9,249)	(1,750)	41,246
Year ended March 31, 2020	17,299	(17,085)	4,227	46,012

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, 2020	–	40.00	–	40.00	80.00	8,972	57.2	3.4
Year ended March 31, 2021	–	41.00	–	41.00	82.00	9,170	37.7	3.3
Year ending March 31, 2022 (Forecast)	–	44.00	–	44.00	88.00		40.4	

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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	560,000	(2.3)	37,000	1.0	37,800	(1.0)	24,100	(0.4)	217.65

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021

(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, 2021	117,812,419 shares	As of March 31, 2020	117,812,419 shares
----------------------	--------------------	----------------------	--------------------

Number of treasury shares at the end of the period

As of March 31, 2021	6,955,251 shares	As of March 31, 2020	6,566,121 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2021	111,316,723 shares	Year ended March 31, 2020	111,652,764 shares
---------------------------	--------------------	---------------------------	--------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	47,550	42,785
Notes receivable, accounts receivable from completed construction contracts	166,098	204,657
Securities	898	910
Costs on construction contracts in progress	42,542	43,564
Other	7,013	8,388
Allowance for doubtful accounts	(94)	(80)
Total current assets	264,009	300,227
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,447	38,394
Machinery, vehicles, tools, furniture and fixtures, net	11,818	13,128
Land	58,654	59,848
Other, net	2,757	2,003
Total property, plant and equipment	107,677	113,375
Intangible assets		
Goodwill	7,640	5,949
Other	5,136	4,229
Total intangible assets	12,777	10,179
Investments and other assets		
Investment securities	34,721	37,707
Retirement benefit asset	17,059	21,641
Other	9,096	8,994
Allowance for doubtful accounts	(436)	(550)
Total investments and other assets	60,440	67,792
Total non-current assets	180,895	191,347
Total assets	444,905	491,574

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	60,037	74,890
Short-term borrowings	6,817	19,509
Current portion of bonds payable	–	10,000
Income taxes payable	7,863	6,766
Advances received on construction contracts in progress	9,762	8,080
Provision for bonuses	4,559	4,990
Provision for bonuses for directors (and other officers)	478	472
Provision for warranties for completed construction	130	148
Provision for loss on construction contracts	2,610	1,384
Other	25,872	29,967
Total current liabilities	118,132	156,212
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term borrowings	8,965	6,837
Deferred tax liabilities	5,681	8,328
Provision for retirement benefits for directors (and other officers)	750	648
Retirement benefit liability	8,436	7,963
Other	2,828	2,699
Total non-current liabilities	56,662	46,477
Total liabilities	174,795	202,689
Net assets		
Shareholders' equity		
Share capital	6,888	6,888
Capital surplus	49,604	49,844
Retained earnings	211,195	226,294
Treasury shares	(11,795)	(13,221)
Total shareholders' equity	255,893	269,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,210	6,451
Foreign currency translation adjustment	193	(268)
Remeasurements of defined benefit plans	6,156	9,665
Total accumulated other comprehensive income	10,559	15,848
Share acquisition rights	318	262
Non-controlling interests	3,337	2,968
Total net assets	270,109	288,884
Total liabilities and net assets	444,905	491,574

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales of completed construction contracts	524,574	573,339
Cost of sales of completed construction contracts	456,247	497,474
Gross profit on completed construction contracts	68,327	75,865
Selling, general and administrative expenses	37,226	39,241
Operating profit	31,100	36,623
Non-operating income		
Interest income	36	25
Dividend income	749	1,111
Foreign exchange gains	–	483
Rental income from land and buildings	415	424
Other	875	815
Total non-operating income	2,076	2,861
Non-operating expenses		
Interest expenses	208	148
Impairment loss	411	406
Loss on retirement of non-current assets	70	325
Other	1,815	418
Total non-operating expenses	2,507	1,297
Ordinary profit	30,669	38,186
Extraordinary income		
Gain on sale of investment securities	658	478
Total extraordinary income	658	478
Extraordinary losses		
Goodwill impairment loss	4,473	–
Total extraordinary losses	4,473	–
Profit before income taxes	26,854	38,665
Income taxes - current	11,438	14,261
Income taxes - deferred	(240)	73
Total income taxes	11,198	14,335
Profit	15,656	24,330
Profit attributable to non-controlling interests	53	137
Profit attributable to owners of parent	15,603	24,192

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	15,656	24,330
Other comprehensive income		
Valuation difference on available-for-sale securities	(394)	2,242
Foreign currency translation adjustment	265	(466)
Remeasurements of defined benefit plans, net of tax	(332)	3,510
Total other comprehensive income	(461)	5,286
Comprehensive income	15,195	29,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,137	29,481
Comprehensive income attributable to non-controlling interests	58	135

Consolidated statements of changes in equity

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
Change in scope of consolidation			11		11
Change in equity due to additional acquisition of consolidated subsidiary stock		(2)			(2)
Sale 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
Change in scope of consolidation							11
Change in equity due to additional acquisition of consolidated subsidiary stock							(2)
Sale 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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,888	49,604	211,195	(11,795)	255,893
Changes during period					
Dividends of surplus			(9,093)		(9,093)
Profit attributable to owners of parent			24,192		24,192
Purchase of treasury shares				(3,008)	(3,008)
Disposal of treasury shares		99		327	426
Recieve of treasury shares via trust					–
Transfer of treasury shares via trust				1,255	1,255
Change in scope of consolidation					–
Change in equity due to additional acquisition of consolidated subsidiary stock		140			140
Sale of shares of consolidated subsidiaries					–
Merger between consolidated subsidiaries and unconsolidated subsidiaries					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	239	15,098	(1,425)	13,912
Balance at end of period	6,888	49,844	226,294	(13,221)	269,805

	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	4,210	193	6,156	10,559	318	3,337	270,109
Changes during period							
Dividends of surplus							(9,093)
Profit attributable to owners of parent							24,192
Purchase of treasury shares							(3,008)
Disposal of treasury shares							426
Recieve of treasury shares via trust							–
Transfer of treasury shares via trust							1,255
Change in scope of consolidation							–
Change in equity due to additional acquisition of consolidated subsidiary stock							140
Sale of shares of consolidated subsidiaries							–
Merger between consolidated subsidiaries and unconsolidated subsidiaries							–
Net changes in items other than shareholders' equity	2,241	(461)	3,509	5,289	(56)	(369)	4,862
Total changes during period	2,241	(461)	3,509	5,289	(56)	(369)	18,775
Balance at end of period	6,451	(268)	9,665	15,848	262	2,968	288,884

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	26,854	38,665
Depreciation	6,473	6,789
Impairment losses	411	406
Goodwill impairment loss	4,473	–
Amortization of goodwill	1,987	1,864
Gain on bargain purchase	(65)	(33)
Increase (decrease) in allowance for doubtful accounts	(117)	102
Increase (decrease) in provision for bonuses	715	406
Increase (decrease) in provision for warranties for completed construction	44	17
Increase (decrease) in provision for loss on construction contracts	2,266	(1,226)
Increase in Defined Benefit Asset or Liability	(2,233)	(191)
Interest and dividend income	(785)	(1,137)
Interest expenses	208	148
Loss (gain) on sale of non-current assets	(19)	1
Loss (gain) on sale of investment securities	(480)	(473)
Decrease (increase) in trade receivables	(8,581)	(37,381)
Decrease (increase) in costs on construction contracts in progress	(3,517)	(960)
Decrease (increase) in other assets	(2,916)	711
Increase (decrease) in trade payables	408	14,548
Increase (decrease) in advances received on construction contracts in progress	4,099	(1,935)
Increase (decrease) in other liabilities	(1,474)	1,529
Other, net	436	429
Subtotal	28,188	22,282
Interest and dividends received	786	1,137
Interest paid	(170)	(164)
Income taxes paid	(11,505)	(16,953)
Net cash provided by (used in) operating activities	17,299	6,301
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,693)	(8,841)
Proceeds from sale of property, plant and equipment	810	90
Purchase of intangible assets	(1,827)	(1,321)
Purchase of investment securities	(1,587)	(1,039)
Proceeds from sale of investment securities	4,038	1,827
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,083)	(77)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(128)	(20)
Loan advances	(125)	(161)
Proceeds from collection of loans receivable	45	61
Decrease (increase) in time deposits	(184)	(0)
Other, net	(350)	234
Net cash provided by (used in) investing activities	(17,085)	(9,249)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,821)	11,021
Proceeds from issuance of bonds	19,904	–
Repayments of long-term borrowings	(2,609)	(3,207)
Proceeds from long-term borrowings	7,474	2,129
Purchase of treasury shares	(5,009)	(3,008)
Proceeds from sale of treasury shares	3,620	161
Receive of treasury shares via trust	(3,079)	–
Transfer of treasury shares via trust	659	1,255
Dividends paid	(8,749)	(9,044)
Dividends paid to non-controlling interests	(36)	(381)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(655)	(105)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	287	–
Other, net	(758)	(570)
Net cash provided by (used in) financing activities	4,227	(1,750)
Effect of exchange rate change on cash and cash equivalents	(18)	(67)
Net increase (decrease) in cash and cash equivalents	4,422	(4,766)
Cash and cash equivalents at beginning of period	41,469	46,012
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	5	–
Increase in cash and cash equivalents resulting from merger of consolidated and non-consolidated subsidiaries	114	–
Cash and cash equivalents at end of period	46,012	41,246