

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 9, 2017

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 03-5778-1106
 Accounts & Finance Division
 Scheduled date of ordinary general meeting of shareholders: June 23, 2017
 Scheduled date to file Securities Report: June 23, 2017
 Scheduled date to commence dividend payments: June 26, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	298,825	4.0	20,873	13.4	21,409	15.7	13,789	13.2
Year ended March 31, 2016	287,437	(4.5)	18,412	0.3	18,512	(0.4)	12,184	(0.7)

	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, 2017	145.24	144.87	8.9	8.9	7.0
Year ended March 31, 2016	125.90	125.58	8.2	7.9	6.4

(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, 2017	243,438	158,280	64.8	1,668.29
As of March 31, 2016	238,301	151,241	63.3	1,569.09

(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, 2017	15,504	(6,027)	(10,230)	15,241
Year ended March 31, 2016	5,389	(13,907)	313	16,037

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, 2016	–	16.00	–	22.00	38.00	3,673	30.2	2.5
Year ended March 31, 2017	–	23.00	–	23.00	46.00	4,389	31.7	2.8
Year ending March 31, 2018 (Forecast)	–	25.00	–	25.00	50.00		30.2	

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
Six months ending September 30, 2017	128,000	10.1	6,800	13.5	7,300	26.4	4,700	94.2	49.58
Full year	320,000	7.1	23,000	10.2	23,600	10.2	15,700	13.9	165.34

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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: Yes

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, 2017	117,812,419 shares	As of March 31, 2016	117,812,419 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	23,221,906 shares	As of March 31, 2016	21,740,870 shares
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Average number of shares during the period

Year ended March 31, 2017	94,938,161 shares	Year ended March 31, 2016	96,781,425 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	16,244	15,431
Notes receivable, accounts receivable from completed construction contracts	93,055	96,080
Securities	91	63
Costs on uncompleted construction contracts and other	21,515	24,159
Deferred tax assets	3,355	3,733
Other	3,688	2,927
Allowance for doubtful accounts	(1)	(0)
Total current assets	137,950	142,395
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,615	20,074
Machinery, vehicles, tools, furniture and fixtures, net	4,043	4,710
Land	34,370	36,197
Other, net	801	1,021
Total property, plant and equipment	59,830	62,002
Intangible assets		
Goodwill	1,983	1,053
Other	4,494	3,360
Total intangible assets	6,477	4,414
Investments and other assets		
Investment securities	17,777	17,093
Net defined benefit asset	13,467	14,520
Other	4,161	4,228
Allowance for doubtful accounts	(1,363)	(1,216)
Total investments and other assets	34,043	34,626
Total non-current assets	100,350	101,042
Total assets	238,301	243,438

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	37,629	36,606
Short-term loans payable	13,336	826
Income taxes payable	2,562	4,142
Advances received on uncompleted construction contracts	3,255	3,457
Provision for bonuses	1,124	1,242
Provision for directors' bonuses	138	129
Provision for warranties for completed construction	907	57
Provision for loss on construction contracts	258	507
Provision for loss on dissolved welfare pension fund	76	–
Other	12,952	14,314
Total current liabilities	72,241	61,283
Non-current liabilities		
Bonds payable	–	10,000
Long-term loans payable	2,413	1,390
Deferred tax liabilities	5,557	5,244
Provision for directors' retirement benefits	244	257
Allowance for investment loss	95	206
Net defined benefit liability	4,809	4,925
Other	1,697	1,851
Total non-current liabilities	14,818	23,874
Total liabilities	87,060	85,158
Net assets		
Shareholders' equity		
Capital stock	6,888	6,888
Capital surplus	7,939	7,978
Retained earnings	147,004	156,477
Treasury shares	(21,910)	(24,011)
Total shareholders' equity	139,922	147,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,121	3,566
Foreign currency translation adjustment	28	15
Remeasurements of defined benefit plans	6,671	6,888
Total accumulated other comprehensive income	10,821	10,470
Subscription rights to shares	241	288
Non-controlling interests	255	187
Total net assets	151,241	158,280
Total liabilities and net assets	238,301	243,438

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales of completed construction contracts	287,437	298,825
Cost of sales of completed construction contracts	251,642	260,344
Gross profit on completed construction contracts	35,795	38,480
Selling, general and administrative expenses	17,382	17,607
Operating profit	18,412	20,873
Non-operating income		
Interest income	21	4
Dividend income	266	315
Reversal of allowance for doubtful accounts	441	111
Land and house rent received	157	572
Gain on sales of non-current assets	261	437
Gain on exchange of investment securities	–	203
Other	289	290
Total non-operating income	1,438	1,936
Non-operating expenses		
Interest expenses	57	49
Rent expenses	44	185
Loss on sales of non-current assets	138	516
Foreign exchange losses	397	143
Other	701	504
Total non-operating expenses	1,338	1,400
Ordinary profit	18,512	21,409
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	18,512	20,721
Income taxes - current	4,203	7,719
Income taxes - deferred	2,086	(737)
Total income taxes	6,290	6,982
Profit	12,222	13,739
Profit attributable to non-controlling interests	37	(50)
Profit attributable to owners of parent	12,184	13,789

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	12,222	13,739
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,035)	(554)
Foreign currency translation adjustment	(18)	(30)
Remeasurements of defined benefit plans, net of tax	285	216
Total other comprehensive income	(769)	(368)
Comprehensive income	11,452	13,370
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,426	13,438
Comprehensive income attributable to non-controlling interests	26	(68)

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,888	6,879	137,957	(17,029)	134,696
Cumulative effects of changes in accounting policies					–
Restated balance	6,888	6,879	137,957	(17,029)	134,696
Changes of items during period					
Dividends of surplus			(3,137)		(3,137)
Profit attributable to owners of parent			12,184		12,184
Purchase of treasury shares				(5,002)	(5,002)
Disposal of treasury shares		1,060		2,057	3,117
Acquisition of treasury shares via trust				(2,600)	(2,600)
Transfer of treasury shares via trust				664	664
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	1,060	9,047	(4,880)	5,226
Balance at end of current period	6,888	7,939	147,004	(21,910)	139,922

	Accumulated other comprehensive income				Subscription rights to shares	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	5,157	35	6,386	11,579	263	229	146,768
Cumulative effects of changes in accounting policies							–
Restated balance	5,157	35	6,386	11,579	263	229	146,768
Changes of items during period							
Dividends of surplus							(3,137)
Profit attributable to owners of parent							12,184
Purchase of treasury shares							(5,002)
Disposal of treasury shares							3,117
Acquisition of treasury shares via trust							(2,600)
Transfer of treasury shares via trust							664
Net changes of items other than shareholders' equity	(1,036)	(7)	285	(758)	(22)	26	(754)
Total changes of items during period	(1,036)	(7)	285	(758)	(22)	26	4,472
Balance at end of current period	4,121	28	6,671	10,821	241	255	151,241

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
Acquisition of treasury shares via trust					-
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				Subscription rights to shares	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
Acquisition of treasury shares via trust							-
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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	18,512	20,721
Depreciation	2,857	3,251
Impairment loss	71	2,159
Amortization of goodwill	1,082	929
Increase (decrease) in allowance for doubtful accounts	(514)	(148)
Increase (decrease) in provision for bonuses	75	117
Increase (decrease) in provision for warranties for completed construction	611	(850)
Increase (decrease) in provision for loss on construction contracts	(5,197)	248
Increase in Defined Benefit Asset or Liability	(1,339)	(399)
Interest and dividend income	(288)	(319)
Interest expenses	57	49
Loss (gain) on sales of non-current assets	(122)	79
Decrease (increase) in notes and accounts receivable - trade	(8,419)	(3,127)
Decrease (increase) in costs on uncompleted construction contracts and other	487	(2,659)
Decrease (increase) in other assets	(423)	965
Increase (decrease) in notes and accounts payable - trade	2,438	(1,014)
Increase (decrease) in advances received on uncompleted construction contracts	1,006	204
Increase (decrease) in other liabilities	(2,673)	2,671
Loss (gain) on sales of investment securities	(0)	(1,262)
Gain on exchange of investment securities	–	(203)
Gain on abolishment of retirement benefit plan	–	(209)
Other, net	483	390
Subtotal	8,705	21,595
Interest and dividend income received	288	318
Interest expenses paid	(59)	(66)
Income taxes paid	(3,545)	(6,343)
Net cash provided by (used in) operating activities	5,389	15,504
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,467)	(5,761)
Proceeds from sales of property, plant and equipment	1,533	901
Purchase of intangible assets	(2,137)	(2,416)
Purchase of investment securities	(2,570)	(443)
Proceeds from sales of investment securities	10	1,686
Payments of loans receivable	(30)	(111)
Collection of loans receivable	4	1
Decrease (increase) in time deposits and other	(298)	44
Other, net	49	72
Net cash provided by (used in) investing activities	(13,907)	(6,027)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,703	(12,306)
Proceeds from issuance of bonds	–	9,991
Repayments of long-term loans payable	(708)	(1,227)
Proceeds from long-term loans payable	2,600	–
Purchase of treasury shares	(5,002)	(3,002)
Proceeds from sales of treasury shares	3,008	153
Acquisition of treasury shares via trust	(2,600)	–
Transfer of treasury shares via trust	664	733
Cash dividends paid	(3,133)	(4,329)
Other, net	(218)	(244)
Net cash provided by (used in) financing activities	313	(10,230)
Effect of exchange rate change on cash and cash equivalents	(49)	(42)
Net increase (decrease) in cash and cash equivalents	(8,254)	(796)
Cash and cash equivalents at beginning of period	24,291	16,037
Cash and cash equivalents at end of period	16,037	15,241