

The document is an English-language translation of the consolidated financial summary of the financial results for the second quarter ended September 30, 2019. This summary was prepared originally in Japanese in accordance with generally accepted accounting principles in Japan. If there are discrepancies between this summary and the original document in Japanese, the Japanese version will take precedence.

Consolidated Financial Results for the Second Quarter ended September 30, 2019

For the Fiscal Year Ending March 31, 2020

November 13, 2019

TOYO ENGINEERING CORPORATION

(URL : <https://www.toyo-eng.com/>)

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1. Business results for the second quarter of fiscal year 2019 (April 1, 2019 - September 30, 2019)

Note: Amounts are rounded down to the nearest million yen.

(1) Consolidated operating results (% of changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1, 2019 - Sep. 30, 2019	112,647	(23.8)	2,869	252.5	1,808	(41.5)	2,703	66.9
Apr. 1, 2018 - Sep. 30, 2018	147,841	(18.3)	814	(59.2)	3,091	14.7	1,619	38.9

(Reference) Comprehensive income (millions of yen):

Apr. 1, 2019 - Sep. 30, 2019 : 1,443 -% Apr. 1, 2018 - Sep. 30, 2018: (27) -%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Apr. 1, 2019 - Sep. 30, 2019	46.13	—
Apr. 1, 2018 - Sep. 30, 2018	42.24	—

(Note) Upon calculation of "Net income per share", the number of class A preferred stocks which were issued in March 2019 is included.

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	209,534	37,801	18.0
As of Mar. 31, 2019	239,694	36,357	15.1

(Reference) Equity at the end of period (millions of yen):

Sep. 30, 2019: 37,676 Mar. 31, 2019 : 36,241

2. Dividends

	Cash dividends per share									
	Q1		Q2		Q3		Q4		Annual	
FY2018	—	Yen	0.00	Yen	—	Yen	0.00	Yen	0.00	Yen
FY2019	—	Yen	0.00	Yen						
FY2019 (Forecast)					—	Yen	0.00	Yen	0.00	Yen

(Note) Revision of forecast for this period: No

3. Forecast of consolidated operating results for the fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(% of changes from the corresponding periods of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	240,000	(18.6)	3,000	—	3,000	(12.5)	2,000	—	34.13

(Note) Revision of forecast for this period: No

(Note) Upon calculation of "Net income per share", the number of class A preferred stocks which were issued in March 2019 is included.

4. Others

(1) Significant changes in scope of consolidation : No

(2) Number of shares issued (common shares)

Number of shares issued at end of period (including treasury stocks)

Sep. 30, 2019 : 38,558,507 Mar. 31, 2019 : 38,558,507

Number of treasury stocks at end of period

Sep. 30, 2019 : 225,004 Mar. 31, 2019 : 224,680

Average number of stock outstanding during the period: Second quarter of FY2019 and FY2018

Second quarter of FY2019 : 38,333,663 Second quarter of FY2018 : 38,334,707

(Note) The number of class A preferred stocks is not included in the number of shares issued.

* Reference: The forecast given above are based on information available at the time of compilation and are inherently subject to variety of risks and uncertainties. Actual results may vary significantly from the forecast due to factors including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

Consolidated Balance Sheets

	March 31, 2019		September 30, 2019	
	Millions of yen		Millions of yen	
[Assets]				
I Current assets				
1 Cash and deposits		101,759		88,177
2 Notes receivable, accounts receivable from completed construction contracts and other		68,193		56,601
3 Costs on uncompleted construction contracts		26,422		24,856
4 Accounts receivable - other		5,793		6,634
5 Other		11,187		11,803
6 Allowance for doubtful accounts		(655)		(666)
Total current assets		212,700		187,406
II Non-current assets				
(1) Property, plant and equipment				
1 Buildings and structures		14,581		14,478
2 Machinery, vehicles, tools, furniture and fixtures		5,113		5,109
3 Land		6,289		6,252
4 Leased assets		44		1,085
5 Construction in progress		36		40
6 Accumulated depreciation and impairment loss		(14,869)		(15,152)
Total property, plant and equipment		11,196		11,816
(2) Intangible assets				
1 Other		983		1,183
Total intangible assets		983		1,183
(3) Investments and other assets				
1 Investments in securities		5,895		3,004
2 Long-term loans receivable		4,572		4,570
3 Net defined benefit asset		635		644
4 Deferred income taxes		828		784
5 Other		7,468		4,690
6 Allowance for doubtful accounts		(4,585)		(4,566)
Total investments and other assets		14,813		9,127
Total non-current assets		26,993		22,127
Total assets		239,694		209,534
[Liabilities]				
I Current liabilities				
1 Notes payable, accounts payable for construction contracts and other		82,509		65,863
2 Short-term loans payable		13,374		17,677
3 Income taxes payable		701		475
4 Advances received on uncompleted construction contracts		69,296		59,682
5 Provision for bonuses		778		587
6 Provision for warranties for completed construction		273		330
7 Provision for loss on construction contracts		2,144		1,595
8 Forward exchange contracts		1,647		2,041
9 Other		7,718		6,034
Total current liabilities		178,443		154,288
II Non-current liabilities				
1 Long-term loans payable		19,294		11,242
2 Lease obligations		27		431
3 Deferred income taxes		2,238		1,995
4 Net defined benefit liability		1,200		1,310
5 Provision for losses on business of subsidiaries and affiliates		440		459
6 Other		1,691		2,004
Total non-current liabilities		24,893		17,443
Total liabilities		203,337		171,732
[Net Assets]				
I Shareholders' equity				
1 Capital stock		18,198		18,198
2 Capital surplus		25,749		4,567
3 Retained (deficit) earnings		(8,984)		14,901
4 Treasury stock, at cost		(445)		(445)
Total shareholders' equity		34,519		37,222
II Accumulated other comprehensive income				
1 Valuation difference on available-for-sale securities		(123)		(177)
2 Deferred losses on hedges		(1,463)		(1,663)
3 Foreign currency translation adjustments		2,908		1,954
4 Remeasurements of defined benefit plans		400		340
Total accumulated other comprehensive income		1,722		454
III Non-controlling interests		116		124
Total net assets		36,357		37,801
Total liabilities and net assets		239,694		209,534

Consolidated Statements of Income

		April 1, 2018 - September 30, 2018		April 1, 2019 - September 30, 2019	
		Millions of yen		Millions of yen	
I	Net sales		147,841		112,647
II	Cost of sales		139,457		102,091
	Gross profit		8,383		10,555
III	Selling, general and administrative expenses		7,569		7,685
	Operating income		814		2,869
IV	Non-operating income				
1	Interest income	688		570	
2	Dividends income	46		24	
3	Equity in earnings of affiliates	1,700		-	
4	Reversal of allowance for doubtful accounts	269		-	
5	Miscellaneous income	141	2,847	167	761
V	Non-operating expenses				
1	Interest expenses	188		213	
2	Equity in losses of affiliates	-		548	
3	Foreign exchange losses, net	127		1,018	
4	Miscellaneous expenses	253	570	43	1,823
	Ordinary income		3,091		1,808
VI	Extraordinary income				
1	Gain on sales of investments in capital	-		1,857	
2	Gain on sales of shares of subsidiaries and affiliates	-	-	116	1,973
	Profit before income taxes		3,091		3,782
	Income taxes		1,455		1,065
	Net Profit		1,635		2,716
	Net profit attributable to non-controlling interests		16		13
	Net profit attributable to owners of parent		1,619		2,703

Consolidated Statements of Comprehensive Income (Loss)

		April 1, 2018 - September 30, 2018		April 1, 2019 - September 30, 2019	
		Millions of yen		Millions of yen	
I	Net profit		1,635		2,716
II	Other comprehensive loss				
1	Valuation difference on available-for-sale securities	32		(53)	
2	Deferred gains (losses) on hedges	196		(200)	
3	Foreign currency translation adjustments	(1,446)		(741)	
4	Remeasurements of defined benefit plans	(91)		(59)	
5	Share of other comprehensive (loss) of affiliates accounted for by the equity method	(353)	(1,662)	(217)	(1,272)
	Comprehensive (loss) income		(27)		1,443
	Comprehensive (loss) income attributable to :				
	Owners of parent		(39)		1,435
	Non-controlling interests		12		8

Consolidated Statements of Cash Flows

	April 1, 2018 - September 30, 2018	April 1, 2019 - September 30, 2019
	Millions of yen	Millions of yen
I Cash flows from operating activities		
1 Profit before income taxes	3,091	3,782
2 Depreciation and amortization	586	732
3 Amortization of goodwill	(4)	(5)
4 Decrease in allowance for doubtful accounts	(269)	(8)
5 Increase (decrease) in net defined benefit liability	(78)	15
6 Decrease in provision for loss on construction contracts	(7,952)	(547)
7 Interest and dividends income	(735)	(594)
8 Interest expenses	188	213
9 Foreign exchange (gains) losses	(239)	543
10 (Gain) loss on sales of property, plant and equipment	(2)	2
11 Equity in (earnings) losses of subsidiaries and affiliates	(1,700)	548
12 Gain on sales of shares of subsidiaries and affiliates	-	(116)
13 Gain on sales of investments in capital	-	(1,857)
14 (Increase) decrease in notes receivable, accounts receivable from completed construction contracts	(11,696)	10,413
15 Decrease in costs on uncompleted construction contracts	1,870	1,337
16 Decrease (increase) in accounts receivable - other	1,855	(351)
17 Decrease in notes and accounts payable - trade	(12,597)	(15,682)
18 Decrease in advances received on uncompleted construction contracts	(3,636)	(8,976)
19 Other, net	7,258	(2,262)
Subtotal	(23,762)	(12,815)
20 Interest and dividends income received	1,216	591
21 Interest expenses paid	(184)	(187)
22 Income taxes paid	(800)	(2,002)
Net cash used in operating activities	(23,530)	(14,415)
II Cash flows from investing activities		
1 Net decrease in time deposits	2,114	631
2 Purchase of property, plant and equipment	(132)	(216)
3 Proceeds from sales of property, plant and equipment	15	2
4 Purchase of intangible assets	(164)	(326)
5 Proceeds from sales of investments in securities	0	-
6 Proceeds from sales of shares of subsidiaries and affiliates	-	3,073
7 Proceeds from sales of investments in capital	-	3,644
8 Net increase in short-term loans receivable	(1)	(1)
9 Other, net	(128)	(137)
Net cash provided by investing activities	1,702	6,669
III Cash flows from financing activities		
1 Net increase (decrease) in short-term loans payable	3,006	(2,400)
2 Repayment of long-term loans payable	(1,365)	(1,277)
3 Repayment of finance lease obligations	(3)	(257)
4 Other, net	(0)	(0)
Net cash provided by (used in) financing activities	1,637	(3,935)
IV Effect of exchange rate change on cash and cash equivalents	(937)	(1,114)
V Net decrease in cash and cash equivalents	(21,128)	(12,975)
VI Cash and cash equivalents at beginning of period	106,536	97,907
VII Cash and cash equivalents at the end of period	85,407	85,111

Segment Information

The company's reportable operating segment has a single segment, namely EPC Business.

Consolidated New Orders, Net Sales and Backlog of Contracts

		Millions of yen					
		Backlog Beginning of period	New Orders	Total	Net Sales	Backlog the End of period	
Apr. 1, 2018 - Sep. 30, 2018	Overseas	Petrochemicals	141,082	38,013	179,096	75,379	97,846
		Oil & Gas	20,858	2,260	23,118	6,803	16,202
		Power/Railways etc.	53,339	872	54,212	24,658	29,254
		Chemicals/Fertilizers	161,608	3,067	164,675	16,972	134,165
		Pharmaceutical/Environmental/Industrial Facilities	6,872	604	7,477	2,192	5,086
		Others	778	222	1,000	468	503
		Subtotal	384,540	45,041	429,582	126,474	283,058
	Domestic	Petrochemicals	6,328	7,645	13,974	831	13,105
		Oil & Gas	3,286	1,232	4,519	3,829	689
		Power/Railways etc.	51,865	38,460	90,325	12,415	77,914
		Pharmaceutical/Environmental/Industrial Facilities	2,581	4,904	7,485	1,207	6,275
		Others	27	3,142	3,170	3,082	87
			Subtotal	64,089	55,385	119,474	21,366
		Grand total	448,629	100,426	549,056	147,841	381,130
		*(6,946)				*(4,943)	
Apr. 1, 2019 - Sep. 30, 2019	Overseas	Petrochemicals	158,220	7,295	165,515	35,161	130,136
		Oil & Gas	10,232	21,305	31,537	5,223	25,995
		Power/Railways etc.	13,577	699	14,277	4,806	9,405
		Chemicals/Fertilizers	105,771	3,387	109,159	37,993	70,566
		Pharmaceutical/Environmental/Industrial Facilities	2,391	591	2,982	999	1,921
		Others	298	1,603	1,901	360	1,431
		Subtotal	290,491	34,882	325,374	84,545	239,457
	Domestic	Petrochemicals	11,798	338	12,137	4,814	7,317
		Oil & Gas	13,349	3,808	17,157	2,895	14,261
		Power/Railways etc.	107,498	12,742	120,240	15,645	104,606
		Pharmaceutical/Environmental/Industrial Facilities	3,209	666	3,876	1,669	2,206
		Others	26	3,095	3,121	3,076	45
			Subtotal	135,881	20,652	156,534	28,101
		Grand total	426,373	55,534	481,908	112,647	367,894
		*(1,550)				*(6,939)	

- Notes : 1. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.
2. Net sales include corresponding amounts of the effects of changes in exchange rates upon the orders in currencies other than Japanese Yen.
The included amounts are (5,869) million yen for Apr. 1, 2018 - Sep. 30, 2018 and (1,504) million yen for Apr. 1, 2019 - Sep. 30, 2019.
3. Adjustment of orders awarded in prior years are included in the "Backlog, the End of period".
The amounts are (14,215) million yen for Apr. 1, 2018 - Sep. 30, 2018 and 137 million yen for Apr. 1, 2019 - Sep. 30, 2019.
4. Asterisks (*) represent increase (decrease) due to changes in exchange rates.