

The document is an English-language translation of the consolidated financial summary of the financial results for the second quarter ended September 30, 2020. 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, 2020

For the Fiscal Year Ending March 31, 2021

November 12, 2020

TOYO ENGINEERING CORPORATION

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

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1. Business results for the second quarter of fiscal year 2020 (April 1, 2020 - September 30, 2020)

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, 2020 - Sep. 30, 2020	89,701	(20.4)	1,214	(57.7)	1,415	(21.7)	773	(71.4)
Apr. 1, 2019 - Sep. 30, 2019	112,647	(23.8)	2,869	252.5	1,808	(41.5)	2,703	66.9

(Reference) Comprehensive income (millions of yen):

Apr. 1, 2020 - Sep. 30, 2020 : (1,471) - % Apr. 1, 2019 - Sep. 30, 2019: 1,443 - %

	Net income per share	Net income per share (diluted)
	Yen	Yen
Apr. 1, 2020 - Sep. 30, 2020	13.20	—
Apr. 1, 2019 - Sep. 30, 2019	46.13	—

(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, 2020	205,994	34,508	16.7
As of Mar. 31, 2020	208,719	35,980	17.2

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

Sep. 30, 2020: 34,383 Mar. 31, 2020 : 35,859

2. Dividends

	Cash dividends per share					
	Q1	Q2	Q3	Q4	Annual	
FY2019	— Yen	0.00 Yen	— Yen	0.00 Yen	0.00 Yen	
FY2020	— Yen	0.00 Yen				
FY2020 (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, 2021 (April 1, 2020 - March 31, 2021)

(% 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	210,000	(4.2)	500	(73.6)	500	(79.7)	0	(100.0)	0.00

(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, 2020 : 38,558,507

Mar. 31, 2020 : 38,558,507

Number of treasury stocks at end of period

Sep. 30, 2020 : 225,690

Mar. 31, 2020 : 225,464

Average number of stock outstanding during the period: Second quarter of FY2020 and FY2019

Second quarter of FY2020 : 38,332,953

Second quarter of FY2019 : 38,333,663

(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, 2020	September 30, 2020
		Millions of yen	Millions of yen
[Assets]			
I	Current assets		
1	Cash and deposits	81,989	83,804
2	Notes receivable, accounts receivable from completed construction contracts and other	55,130	51,164
3	Costs on uncompleted construction contracts	19,391	19,770
4	Accounts receivable - other	7,138	6,947
5	Deposits paid	6,236	6,340
6	Forward exchange contracts	422	164
7	Other	18,188	16,850
8	Allowance for doubtful accounts	(692)	(683)
	Total current assets	187,804	184,359
II	Non-current assets		
(1)	Property, plant and equipment		
1	Buildings and structures	14,510	14,489
2	Machinery, vehicles, tools, furniture and fixtures	5,031	4,940
3	Land	6,264	6,246
4	Leased assets	1,120	1,752
5	Construction in progress	19	73
6	Accumulated depreciation and impairment loss	(15,429)	(15,773)
	Total property, plant and equipment	11,517	11,729
(2)	Intangible assets		
1	Other	1,338	1,510
	Total intangible assets	1,338	1,510
(3)	Investments and other assets		
1	Investment securities	2,842	2,944
2	Long-term loans receivable	4,598	4,601
3	Deferred income taxes	480	519
4	Other	4,701	4,888
5	Allowance for doubtful accounts	(4,563)	(4,560)
	Total investments and other assets	8,059	8,394
	Total non-current assets	20,914	21,634
	Total assets	208,719	205,994
[Liabilities]			
I	Current liabilities		
1	Notes payable, accounts payable for construction contracts and other	64,053	68,551
2	Short-term loans payable	17,008	6,844
3	Income taxes payable	554	462
4	Advances received on uncompleted construction contracts	64,193	61,211
5	Provision for bonuses	459	501
6	Provision for warranties for completed construction	158	93
7	Provision for loss on construction contracts	349	93
8	Forward exchange contracts	1,027	423
9	Other	7,866	6,745
	Total current liabilities	155,672	144,926
II	Non-current liabilities		
1	Long-term loans payable	9,964	19,314
2	Lease obligations	388	637
3	Deferred income taxes	2,408	2,398
4	Net defined benefit liability	1,950	1,939
5	Provision for losses on business of subsidiaries and affiliates	390	401
6	Other	1,964	1,867
	Total non-current liabilities	17,066	26,559
	Total liabilities	172,739	171,485
[Net Assets]			
I	Shareholders' equity		
1	Capital stock	18,198	18,198
2	Capital surplus	4,567	4,567
3	Retained earnings	13,862	14,635
4	Treasury stock, at cost	(445)	(445)
	Total shareholders' equity	36,182	36,956
II	Accumulated other comprehensive income		
1	Valuation difference on available-for-sale securities	(425)	(370)
2	Deferred losses on hedges	(764)	(278)
3	Foreign currency translation adjustments	1,687	(1,078)
4	Remeasurements of defined benefit plans	(820)	(845)
	Total accumulated other comprehensive income	(323)	(2,572)
III	Non-controlling interests	121	124
	Total net assets	35,980	34,508
	Total liabilities and net assets	208,719	205,994

Consolidated Statements of Income

		April 1, 2019 - September 30, 2019		April 1, 2020 - September 30, 2020	
		Millions of yen		Millions of yen	
I	Net sales		112,647		89,701
II	Cost of sales		102,091		80,517
	Gross profit		10,555		9,184
III	Selling, general and administrative expenses		7,685		7,969
	Operating income		2,869		1,214
IV	Non-operating income				
1	Interest income	570		276	
2	Dividends income	24		122	
3	Equity in earnings of affiliates	-		158	
4	Reversal of allowance for doubtful accounts	-		10	
5	Miscellaneous income	167	761	272	840
V	Non-operating expenses				
1	Interest expenses	213		213	
2	Equity in losses of affiliates	548		-	
3	Foreign exchange losses, net	1,018		203	
4	Miscellaneous expenses	43	1,823	222	639
	Ordinary income		1,808		1,415
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		3,782		1,415
VII	Income taxes				
1	Income taxes	1,065	1,065	637	637
	Net profit		2,716		777
	Net profit attributable to non-controlling interests		13		3
	Net profit attributable to owners of parent		2,703		773

Consolidated Statements of Comprehensive Income (Loss)

		April 1, 2019 - September 30, 2019		April 1, 2020 - September 30, 2020	
		Millions of yen		Millions of yen	
I	Net profit		2,716		777
II	Other comprehensive loss				
	1 Valuation difference on available-for-sale securities	(53)		55	
	2 Deferred (losses) gains on hedges	(200)		485	
	3 Foreign currency translation adjustments	(741)		(1,024)	
	4 Remeasurements of defined benefit plans	(59)		(24)	
	5 Share of other comprehensive loss of affiliates accounted for by the equity method	(217)	(1,272)	(1,741)	(2,249)
	Comprehensive income (loss)		1,443		(1,471)
	Comprehensive income (loss) attributable to :				
	Owners of parent		1,435		(1,475)
	Non-controlling interests		8		3

Consolidated Statements of Cash Flows

	April 1, 2019 - September 30, 2019	April 1, 2020 - September 30, 2020
	Millions of yen	Millions of yen
I Cash flows from operating activities		
1 Profit before income taxes	3,782	1,415
2 Depreciation and amortization	732	711
3 Amortization of goodwill	(5)	(5)
4 Decrease in allowance for doubtful accounts	(8)	(10)
5 Increase (decrease) in net defined benefit liability	15	(35)
6 Decrease in provision for loss on construction contracts	(547)	(250)
7 Interest and dividends income	(594)	(398)
8 Interest expenses	213	213
9 Foreign exchange losses (gains)	543	(68)
10 Loss (gain) on sales of property, plant and equipment	2	(8)
11 Equity in losses (earnings) of subsidiaries and affiliates	548	(158)
12 Gain on sales of investments in securities	-	(1)
13 Gain on sales of shares of subsidiaries and affiliates	(116)	-
14 Gain on sales of investments in capital	(1,857)	-
15 Decrease in notes receivable, accounts receivable from completed construction contracts	10,413	3,323
16 Decrease (increase) in costs on uncompleted construction contracts	1,337	(543)
17 Increase in accounts receivable - other	(351)	(502)
18 (Decrease) increase in notes and accounts payable - trade	(15,682)	4,857
19 Decrease in advances received on uncompleted construction contracts	(8,976)	(2,540)
20 Decrease (increase) in deposits paid	62	(104)
21 Other, net	(2,325)	(1,532)
Subtotal	(12,815)	4,359
22 Interest and dividends income received	591	419
23 Interest expenses paid	(187)	(192)
24 Income taxes paid	(2,002)	(502)
Net cash (used in) provided by operating activities	(14,415)	4,083
II Cash flows from investing activities		
1 Net decrease (increase) in time deposits	631	(3,807)
2 Purchase of property, plant and equipment	(216)	(163)
3 Proceeds from sales of property, plant and equipment	2	36
4 Purchase of intangible assets	(326)	(402)
5 Proceeds from sales of shares of subsidiaries and affiliates	3,073	-
6 Proceeds from sales of investments in capital	3,644	-
7 Net (increase) decrease in short-term loans receivable	(1)	1
8 Other, net	(137)	(82)
Net cash provided by (used in) investing activities	6,669	(4,417)
III Cash flows from financing activities		
1 Net decrease in short-term loans payable	(2,400)	(2,630)
2 Proceeds from long-term loans payable	-	9,960
3 Repayment of long-term loans payable	(1,277)	(8,082)
4 Repayment of finance lease obligations	(257)	(111)
5 Other, net	(0)	(0)
Net cash used in financing activities	(3,935)	(864)
IV Effect of exchange rate change on cash and cash equivalents	(1,114)	(730)
V Net decrease in cash and cash equivalents	(12,795)	(1,929)
VI Cash and cash equivalents at beginning of period	97,907	80,213
VII Cash and cash equivalents at the end of period	85,111	78,283

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, 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
			*(1,550)				*(6,939)
	Grand total	426,373	55,534	481,908	112,647	367,894	
Apr. 1, 2020 - Sep. 30, 2020	Overseas	Petrochemicals	104,521	7,960	112,481	27,208	78,027
		Oil & Gas	49,553	3,875	53,429	5,330	47,827
		Power/Railways etc.	24,644	336	24,980	2,084	22,576
		Chemicals/Fertilizers	55,375	3,873	59,249	11,044	47,078
		Pharmaceutical/Environmental/Industrial Facilities	682	1,351	2,033	643	1,325
		Others	1,717	404	2,121	659	1,423
		Subtotal	236,495	17,801	254,296	46,970	198,259
	Domestic	Petrochemicals	3,056	212	3,269	2,389	879
		Oil & Gas	11,622	2,532	14,155	6,434	7,720
		Power/Railways etc.	132,247	35,660	167,907	31,467	136,446
		Pharmaceutical/Environmental/Industrial Facilities	5,764	2,291	8,056	1,593	6,462
		Others	50	861	912	846	65
			Subtotal	152,741	41,557	194,299	42,731
			*(5,646)				*(4,976)
	Grand total	389,236	59,359	448,596	89,701	349,834	

- 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 (1,504) million yen for Apr. 1, 2019 - Sep. 30, 2019 and (2,056) million yen for Apr. 1, 2020 - Sep. 30, 2020.
 3. Adjustment of orders awarded in prior years are included in the "Backlog, the End of period".
The amounts are 137 million yen for Apr. 1, 2019 - Sep. 30, 2019 and (7,003) million yen for Apr. 1, 2020 - Sep. 30, 2020.
 4. Asterisks (*) represent increase (decrease) due to changes in exchange rates.