

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]



May 14, 2019

Company name: FUKUSHIMA INDUSTRIES CORP.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6420

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Scheduled date of Annual General Meeting of Shareholders: June 27, 2019

Scheduled date of commencing dividend payments: June 28, 2019

Scheduled date of filing annual securities report: June 27, 2019

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

|                   | Net sales   |     | Operating profit |     | Ordinary profit |     | Profit attributable to owners of parent |       |
|-------------------|-------------|-----|------------------|-----|-----------------|-----|-----------------------------------------|-------|
|                   | Million yen | %   | Million yen      | %   | Million yen     | %   | Million yen                             | %     |
| Fiscal year ended |             |     |                  |     |                 |     |                                         |       |
| March 31, 2019    | 86,529      | 0.4 | 9,405            | 8.7 | 9,678           | 7.9 | 6,615                                   | 16.4  |
| March 31, 2018    | 86,223      | 7.4 | 8,654            | 3.1 | 8,971           | 2.8 | 5,683                                   | (5.5) |

(Note) Comprehensive income: Fiscal year ended March 31, 2019: ¥5,788 million [(21.9)%]

Fiscal year ended March 31, 2018: ¥7,415 million [10.3%]

|                   | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets | Operating profit to net sales |
|-------------------|--------------------------|----------------------------|--------------------------|---------------------------------|-------------------------------|
| Fiscal year ended | Yen                      | Yen                        | %                        | %                               | %                             |
| March 31, 2019    | 330.19                   | -                          | 12.9                     | 11.4                            | 10.9                          |
| March 31, 2018    | 283.64                   | -                          | 12.5                     | 11.4                            | 10.0                          |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2019: ¥- million

Fiscal year ended March 31, 2018: ¥- million

(2) Consolidated Financial Position

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2019 | 86,622       | 53,887      | 62.1         | 2,686.64             |
| As of March 31, 2018 | 83,677       | 48,901      | 58.4         | 2,438.94             |

(Reference) Equity: As of March 31, 2019: ¥53,831 million

As of March 31, 2018: ¥48,868 million

(3) Consolidated Cash Flows

|                   | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|-------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|--------------------------------------------|
| Fiscal year ended | Million yen                                         | Million yen                                         | Million yen                                         | Million yen                                |
| March 31, 2019    | 6,564                                               | (3,229)                                             | (1,298)                                             | 33,669                                     |
| March 31, 2018    | 8,320                                               | (668)                                               | (1,006)                                             | 31,481                                     |

## 2. Dividends

|                                              | Annual dividends |                 |                 |          |       | Total dividends | Payout ratio<br>(consolidated) | Dividends to net assets<br>(consolidated) |
|----------------------------------------------|------------------|-----------------|-----------------|----------|-------|-----------------|--------------------------------|-------------------------------------------|
|                                              | 1st quarter-end  | 2nd quarter-end | 3rd quarter-end | Year-end | Total |                 |                                |                                           |
| Fiscal year ended                            | Yen              | Yen             | Yen             | Yen      | Yen   | Million yen     | %                              | %                                         |
| March 31, 2018                               | -                | 0.00            | -               | 40.00    | 40.00 | 801             | 14.1                           | 1.8                                       |
| March 31, 2019                               | -                | 0.00            | -               | 48.00    | 48.00 | 961             | 14.5                           | 1.9                                       |
| Fiscal year ending March 31, 2020 (Forecast) | -                | 0.00            | -               | 48.00    | 48.00 |                 | 15.1                           |                                           |

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

|            | Net sales   |     | Operating profit |       | Ordinary profit |       | Profit attributable to owners of parent |       | Basic earnings per share |
|------------|-------------|-----|------------------|-------|-----------------|-------|-----------------------------------------|-------|--------------------------|
|            | Million yen | %   | Million yen      | %     | Million yen     | %     | Million yen                             | %     | Yen                      |
| First half | 42,663      | 0.0 | 4,556            | (2.3) | 4,669           | (6.2) | 3,063                                   | (9.3) | 152.90                   |
| Full year  | 89,125      | 3.0 | 9,325            | (0.9) | 9,573           | (1.1) | 6,371                                   | (3.7) | 317.99                   |

### \* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - (Company name: -)

Exclusion: - (Company name: -)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2019: 22,066,160 shares

March 31, 2018: 22,066,160 shares

2) Total number of treasury shares at the end of the period:

March 31, 2019: 2,029,601 shares

March 31, 2018: 2,029,421 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2019: 20,036,617 shares

Fiscal Year ended March 31, 2018: 20,036,895 shares

(Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| Fiscal year ended | Net sales   |       | Operating profit |        | Ordinary profit |       | Profit      |        |
|-------------------|-------------|-------|------------------|--------|-----------------|-------|-------------|--------|
|                   | Million yen | %     | Million yen      | %      | Million yen     | %     | Million yen | %      |
| March 31, 2019    | 65,579      | (1.1) | 6,973            | 16.0   | 7,769           | 18.0  | 5,384       | 28.0   |
| March 31, 2018    | 66,283      | 5.6   | 6,012            | (10.4) | 6,583           | (9.8) | 4,208       | (12.0) |

| Fiscal year ended | Basic earnings per share |  | Diluted earnings per share |  |
|-------------------|--------------------------|--|----------------------------|--|
|                   | Yen                      |  | Yen                        |  |
| March 31, 2019    | 268.76                   |  | -                          |  |
| March 31, 2018    | 210.03                   |  | -                          |  |

(2) Non-consolidated Financial Position

| As of          | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------|--------------|-------------|--------------|----------------------|
|                | Million yen  | Million yen | %            | Yen                  |
| March 31, 2019 | 69,514       | 46,065      | 66.3         | 2,299.05             |
| March 31, 2018 | 66,117       | 42,253      | 63.9         | 2,108.81             |

(Reference) Equity: As of March 31, 2019: ¥46,065 million

As of March 31, 2018: ¥42,253 million

\* These financial results are outside the scope of audit conducted by certified public accountants and an audit corporation.

\* Explanation of the proper use of financial results forecast and other notes

Financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

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## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review (April 1, 2018 to March 31, 2019), the Japanese economy remained on a moderate recovery path thanks to such factors as an increase in corporate capital investment and improvements in the employment and income environments. Meanwhile, future prospects remained uncertain due to factors such as concerns over the U.S.-China trade friction and the partial weakening of the Chinese economy.

In the business environment in which our Group operates, harsh conditions persist in the restaurant industry due mainly to a rise in labor costs and food prices, although sales remained solid in the fast food and family restaurant businesses, owing to higher spending per customer as a result of price revisions and the introduction of limited time offers. In the distribution industry, the business environment continued to be harsh for reasons including serious personnel shortage and rising material prices, while the consumer trend to restrain spending continued.

Net sales of commercial refrigerators and freezers decreased by 4.7% year on year mainly due to a decrease in sales of general purpose refrigerators and freezers for convenience stores and the restaurant industry, despite robust sales of new ice machines with enhanced product lineup, hygienic defrosters that can thaw foods in a fixed timeframe with less degradation in quality, and products for the medical market.

Net sales of refrigerated and freezer showcases decreased by 1.1% year on year, despite robust sales to drug stores, which continued vigorous new store openings. This was due to the completion of remodeling due to integration of convenience stores, and restrained investment by food supermarkets in new store openings and remodeling.

Net sales of large-scale food processing equipment decreased by 6.0% year on year. Although the robust demand in the previous fiscal year continued for the replacement and new introduction of tunnel freezers mainly for food manufacturers until the first half, food manufacturers reduced their capital investment in the second half, amid the deteriorating distribution industry, which was affected mainly by a downturn in consumption.

Net sales of large-scale panel refrigerators increased by 17.7% year on year as sales to food factories, low-temperature distribution centers, and supermarket processing centers continued to be solid on the backdrop of personnel shortage and a rise in labor costs.

Net sales of small-scale panel refrigerators decreased by 0.6% year on year, as orders for panel refrigerators used in back rooms of convenience stores, etc. decreased, though sales to supermarkets and commercial kitchens were solid.

Net sales from services increased by 8.0% year on year mainly due to a higher maintenance demand triggered by the summer heat wave and an increase in sales mainly attributable to maintenance contracts with convenience stores, etc.

At the manufacturing department, the Company undertook initiatives to improve production efficiency by introducing the automation of a single operation and the image recognition system to monitor the quality in the production processes, etc. at its Shiga and Okayama factories. In addition, the Company continued to undertake initiatives to reduce fixed costs and purchasing costs in order to offset higher costs, such as a sharp increase in the prices of raw materials and import products, as well as transportation costs.

As a result, for the fiscal year under review, net sales increased by 0.4% year on year to ¥86,529 million. Operating profit increased by 8.7% year on year to ¥9,405 million, ordinary profit increased by 7.9% year on year to ¥9,678 million, and profit attributable to owners of parent increased by 16.4% year on year to ¥6,615 million.

## (2) Overview of Financial Position for the Fiscal Year under Review

### (Current assets)

Current assets as of the end of the fiscal year under review increased by ¥449 million to ¥60,422 million (¥59,972 million in the previous fiscal year). This is mainly attributable to an increase in cash and deposits.

### (Non-current assets)

Non-current assets as of the end of the fiscal year under review increased by ¥2,496 million to ¥26,200 million (¥23,704 million in the previous fiscal year). This is mainly attributable to an increase in construction in progress under property, plant and equipment.

### (Current liabilities)

Current liabilities as of the end of the fiscal year under review decreased by ¥1,613 million to ¥31,088 million (¥32,701 million in the previous fiscal year). This is mainly attributable to a decrease in short-term loans payable.

### (Non-current liabilities)

Non-current liabilities as of the end of the fiscal year under review decreased by ¥427 million to ¥1,646 million (¥2,074 million in the previous fiscal year). This is mainly attributable to a decrease in deferred tax liabilities.

### (Net assets)

Net assets as of the end of the fiscal year under review increased by ¥4,986 million to ¥53,887 million (¥48,901 million in the previous fiscal year). This is mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent.

## (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “capital”) as of the end of the fiscal year under review increased by ¥2,187 million from the end of the previous fiscal year to ¥33,669 million as a result of the recording of profit before income taxes of ¥9,718 million, and ¥4,527 million used in investing activities and financing activities.

The conditions of each cash flow and factors thereof are as follows.

### (Net cash provided by (used in) operating activities)

Capital provided by operating activities decreased by ¥1,756 million from the corresponding period of the previous year to ¥6,564 million. This is mainly attributable to the recording of profit before income taxes.

### (Net cash provided by (used in) investing activities)

Capital used in investing activities increased by ¥2,560 million from the corresponding period of the previous year to ¥3,229 million. This is mainly attributable to the purchase of property, plant and equipment such as land for business use, office buildings and production facilities at various factories.

### (Net cash provided by (used in) financing activities)

Capital used in financing activities increased by ¥292 million from the corresponding period of the previous year to ¥1,298 million. This is mainly attributable to cash dividends paid.

#### (4) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company's basic profit distribution policy is to determine a standard dividend amount based on the dividend on equity ratio (DOE) and aim for improvement in this ratio each year, however small it may be, while trying to maintain sufficient shareholders' equity to capture expanding business opportunities promptly and securely.

Internal reserves will be used to expand shareholder value by continuing efficient investments in business areas with high profit and growth potential, such as infrastructure development and enhancement.

In the fiscal year under review, a year-end dividend of ¥48 per share will be paid, as profits for the year remained strong from the previous fiscal year and exceeded the plan.

The dividend for the next fiscal year is planned at ¥48 per share to maintain stable dividend payouts.

In addition, in order to repay shareholders for their daily support, the Company has a shareholder benefit program. A QUO CARD will be presented to shareholders with 100 or more shares as of March 31, 2019.

## 2. Basic Stance Concerning Choice of Accounting Standards

As the Corporate Group has a low proportion of overseas net sales and conducts activities primarily within Japan, it will utilize Japanese accounting standards for the foreseeable future. The application of International Financial Reporting Standards (IFRS) will be determined appropriately by taking into consideration various domestic and international situations.

3. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Thousand yen)

|                                        | As of March 31, 2018 | As of March 31, 2019 |
|----------------------------------------|----------------------|----------------------|
| <b>Assets</b>                          |                      |                      |
| Current assets                         |                      |                      |
| Cash and deposits                      | 31,870,525           | 34,283,964           |
| Notes and accounts receivable - trade  | 22,040,842           | 19,913,769           |
| Merchandise and finished goods         | 2,172,702            | 2,239,132            |
| Work in process                        | 2,248,959            | 2,166,701            |
| Raw materials and supplies             | 1,909,033            | 2,038,882            |
| Other                                  | 1,026,115            | 946,431              |
| Allowance for doubtful accounts        | (1,295,261)          | (1,166,604)          |
| Total current assets                   | 59,972,918           | 60,422,276           |
| Non-current assets                     |                      |                      |
| Property, plant and equipment          |                      |                      |
| Buildings and structures, net          | 3,802,974            | 4,358,043            |
| Machinery, equipment and vehicles, net | 1,119,640            | 992,656              |
| Land                                   | 5,008,260            | 5,294,684            |
| Construction in progress               | 1,713,483            | 3,904,293            |
| Other, net                             | 321,406              | 349,558              |
| Total property, plant and equipment    | 11,965,765           | 14,899,236           |
| Intangible assets                      | 273,105              | 421,664              |
| Investments and other assets           |                      |                      |
| Investment securities                  | 9,059,098            | 7,948,318            |
| Other                                  | 2,418,163            | 2,941,051            |
| Allowance for doubtful accounts        | (11,765)             | (9,617)              |
| Total investments and other assets     | 11,465,496           | 10,879,752           |
| Total non-current assets               | 23,704,367           | 26,200,654           |
| Total assets                           | 83,677,286           | 86,622,930           |



(Thousand yen)

|                                                       | As of March 31, 2018 | As of March 31, 2019 |
|-------------------------------------------------------|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| Current liabilities                                   |                      |                      |
| Notes and accounts payable - trade                    | 21,476,888           | 20,996,646           |
| Short-term loans payable                              | 711,215              | 185,746              |
| Income taxes payable                                  | 2,082,013            | 1,641,449            |
| Provision for bonuses                                 | 1,436,049            | 1,724,973            |
| Provision for product warranties                      | 369,167              | 370,998              |
| Provision for loss on construction contracts          | 534,234              | 187,553              |
| Other                                                 | 6,092,170            | 5,981,117            |
| Total current liabilities                             | 32,701,738           | 31,088,484           |
| Non-current liabilities                               |                      |                      |
| Deferred tax liabilities                              | 836,157              | 304,977              |
| Provision for directors' retirement benefits          | 820,766              | 921,938              |
| Provision for contingent loss                         | 288,383              | 250,166              |
| Net defined benefit liability                         | 16,808               | 39,016               |
| Asset retirement obligations                          | 101,516              | 119,652              |
| Other                                                 | 10,809               | 11,147               |
| Total non-current liabilities                         | 2,074,439            | 1,646,899            |
| <b>Total liabilities</b>                              | <b>34,776,178</b>    | <b>32,735,384</b>    |
| <b>Net assets</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Capital stock                                         | 2,760,192            | 2,760,192            |
| Capital surplus                                       | 3,168,379            | 3,168,379            |
| Retained earnings                                     | 41,242,790           | 47,057,197           |
| Treasury shares                                       | (3,213,394)          | (3,214,328)          |
| Total shareholders' equity                            | 43,957,968           | 49,771,440           |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 4,870,266            | 4,058,247            |
| Foreign currency translation adjustment               | 65,057               | 65,665               |
| Remeasurements of defined benefit plans               | (24,814)             | (64,331)             |
| Total accumulated other comprehensive income          | 4,910,509            | 4,059,581            |
| Non-controlling interests                             | 32,630               | 56,524               |
| <b>Total net assets</b>                               | <b>48,901,107</b>    | <b>53,887,546</b>    |
| <b>Total liabilities and net assets</b>               | <b>83,677,286</b>    | <b>86,622,930</b>    |

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Thousand yen)

|                                                         | For the fiscal year<br>ended March 31, 2018 | For the fiscal year<br>ended March 31, 2019 |
|---------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net sales                                               | 86,223,671                                  | 86,529,685                                  |
| Cost of sales                                           | 64,630,055                                  | 63,765,757                                  |
| Gross profit                                            | 21,593,615                                  | 22,763,928                                  |
| Selling, general and administrative expenses            | 12,939,149                                  | 13,358,729                                  |
| Operating profit                                        | 8,654,466                                   | 9,405,198                                   |
| Non-operating income                                    |                                             |                                             |
| Interest income                                         | 9,131                                       | 11,211                                      |
| Dividend income                                         | 94,109                                      | 96,488                                      |
| House rent income                                       | 95,147                                      | 98,058                                      |
| Insurance and dividend income                           | 99,013                                      | 49,431                                      |
| Purchase discounts                                      | 53,967                                      | 48,314                                      |
| Foreign exchange gains                                  | -                                           | 5,383                                       |
| Compensation income                                     | 23,443                                      | 5,658                                       |
| Other                                                   | 129,648                                     | 148,018                                     |
| Total non-operating income                              | 504,461                                     | 462,564                                     |
| Non-operating expenses                                  |                                             |                                             |
| Interest expenses                                       | 21,074                                      | 11,043                                      |
| Compensation expenses                                   | 14,604                                      | 24,910                                      |
| Foreign exchange losses                                 | 112,502                                     | -                                           |
| Condolence money                                        | -                                           | 66,499                                      |
| Other                                                   | 38,802                                      | 86,985                                      |
| Total non-operating expenses                            | 186,984                                     | 189,438                                     |
| Ordinary profit                                         | 8,971,943                                   | 9,678,324                                   |
| Extraordinary income                                    |                                             |                                             |
| Gain on sales of investment securities                  | 26,250                                      | 39,839                                      |
| Total extraordinary income                              | 26,250                                      | 39,839                                      |
| Extraordinary losses                                    |                                             |                                             |
| Provision for contingent loss                           | 288,383                                     | -                                           |
| Contingent loss expense                                 | 154,764                                     | -                                           |
| Total extraordinary losses                              | 443,148                                     | -                                           |
| Profit before income taxes                              | 8,555,044                                   | 9,718,164                                   |
| Income taxes - current                                  | 3,394,300                                   | 3,252,924                                   |
| Income taxes - deferred                                 | (521,421)                                   | (161,848)                                   |
| Total income taxes                                      | 2,872,879                                   | 3,091,076                                   |
| Profit                                                  | 5,682,165                                   | 6,627,087                                   |
| Profit (loss) attributable to non-controlling interests | (1,093)                                     | 11,210                                      |
| Profit attributable to owners of parent                 | 5,683,259                                   | 6,615,876                                   |

## Consolidated Statements of Comprehensive Income

(Thousand yen)

|                                                                | For the fiscal year<br>ended March 31, 2018 | For the fiscal year<br>ended March 31, 2019 |
|----------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Profit                                                         | 5,682,165                                   | 6,627,087                                   |
| Other comprehensive income                                     |                                             |                                             |
| Valuation difference on available-for-sale securities          | 1,610,865                                   | (812,018)                                   |
| Foreign currency translation adjustment                        | (6,972)                                     | 13,291                                      |
| Remeasurements of defined benefit plans, net of tax            | 129,492                                     | (39,517)                                    |
| Total other comprehensive income                               | 1,733,384                                   | (838,244)                                   |
| Comprehensive income                                           | 7,415,550                                   | 5,788,842                                   |
| Comprehensive income attributable to                           |                                             |                                             |
| Comprehensive income attributable to owners of parent          | 7,420,570                                   | 5,764,948                                   |
| Comprehensive income attributable to non-controlling interests | (5,019)                                     | 23,893                                      |

(3) Consolidated Statements of Changes in Equity  
 For the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Thousand yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 2,760,192            | 3,168,379       | 36,260,825        | (3,212,194)     | 38,977,203                 |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (701,294)         |                 | (701,294)                  |
| Profit attributable to owners of parent              |                      |                 | 5,683,259         |                 | 5,683,259                  |
| Purchase of treasury shares                          |                      |                 |                   | (1,199)         | (1,199)                    |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | —                    | —               | 4,981,964         | (1,199)         | 4,980,764                  |
| Balance at end of current period                     | 2,760,192            | 3,168,379       | 41,242,790        | (3,213,394)     | 43,957,968                 |

|                                                      | Accumulated other comprehensive income                |                                         |                                         |                                              | 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               | 3,259,400                                             | 68,104                                  | (154,306)                               | 3,173,198                                    | 10,503                    | 42,160,905       |
| Changes of items during period                       |                                                       |                                         |                                         |                                              |                           |                  |
| Dividends of surplus                                 |                                                       |                                         |                                         |                                              |                           | (701,294)        |
| Profit attributable to owners of parent              |                                                       |                                         |                                         |                                              |                           | 5,683,259        |
| Purchase of treasury shares                          |                                                       |                                         |                                         |                                              |                           | (1,199)          |
| Net changes of items other than shareholders' equity | 1,610,865                                             | (3,047)                                 | 129,492                                 | 1,737,310                                    | 22,126                    | 1,759,437        |
| Total changes of items during period                 | 1,610,865                                             | (3,047)                                 | 129,492                                 | 1,737,310                                    | 22,126                    | 6,740,202        |
| Balance at end of current period                     | 4,870,266                                             | 65,057                                  | (24,814)                                | 4,910,509                                    | 32,630                    | 48,901,107       |

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousand yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 2,760,192            | 3,168,379       | 41,242,790        | (3,213,394)     | 43,957,968                 |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (801,469)         |                 | (801,469)                  |
| Profit attributable to owners of parent              |                      |                 | 6,615,876         |                 | 6,615,876                  |
| Purchase of treasury shares                          |                      |                 |                   | (934)           | (934)                      |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | —                    | —               | 5,814,407         | (934)           | 5,813,472                  |
| Balance at end of current period                     | 2,760,192            | 3,168,379       | 47,057,197        | (3,214,328)     | 49,771,440                 |

|                                                      | Accumulated other comprehensive income                |                                         |                                         |                                              | 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               | 4,870,266                                             | 65,057                                  | (24,814)                                | 4,910,509                                    | 32,630                    | 48,901,107       |
| Changes of items during period                       |                                                       |                                         |                                         |                                              |                           |                  |
| Dividends of surplus                                 |                                                       |                                         |                                         |                                              |                           | (801,469)        |
| Profit attributable to owners of parent              |                                                       |                                         |                                         |                                              |                           | 6,615,876        |
| Purchase of treasury shares                          |                                                       |                                         |                                         |                                              |                           | (934)            |
| Net changes of items other than shareholders' equity | (812,018)                                             | 608                                     | (39,517)                                | (850,927)                                    | 23,893                    | (827,033)        |
| Total changes of items during period                 | (812,018)                                             | 608                                     | (39,517)                                | (850,927)                                    | 23,893                    | 4,986,438        |
| Balance at end of current period                     | 4,058,247                                             | 65,665                                  | (64,331)                                | 4,059,581                                    | 56,524                    | 53,887,546       |

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

|                                                                     | For the fiscal year<br>ended March 31, 2018 | For the fiscal year<br>ended March 31, 2019 |
|---------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Cash flows from operating activities</b>                         |                                             |                                             |
| Profit before income taxes                                          | 8,555,044                                   | 9,718,164                                   |
| Depreciation                                                        | 899,150                                     | 939,842                                     |
| Increase (decrease) in allowance for doubtful accounts              | 197,849                                     | (56,251)                                    |
| Increase (decrease) in provision for bonuses                        | (321,379)                                   | 288,999                                     |
| Increase (decrease) in provision for product warranties             | 135,269                                     | 1,830                                       |
| Increase (decrease) in provision for loss on construction contracts | 534,234                                     | (364,075)                                   |
| Increase (decrease) in net defined benefit liability                | (59,129)                                    | (35,063)                                    |
| Increase (decrease) in provision for directors' retirement benefits | 88,595                                      | 101,171                                     |
| Increase (decrease) in provision for contingent loss                | 288,383                                     | (38,217)                                    |
| Interest and dividend income                                        | (103,240)                                   | (107,699)                                   |
| Foreign exchange losses (gains)                                     | 37,580                                      | (155,320)                                   |
| Loss (gain) on valuation of investment securities                   | 624                                         | -                                           |
| Loss (gain) on sales of investment securities                       | (26,250)                                    | (38,000)                                    |
| Loss (gain) on operation of investments in capital                  | -                                           | (1,839)                                     |
| Interest expenses                                                   | 21,074                                      | 11,043                                      |
| Loss (gain) on sales of property, plant and equipment               | 2,290                                       | 17,274                                      |
| Loss on retirement of property, plant and equipment                 | 2,991                                       | 21,591                                      |
| Decrease (increase) in notes and accounts receivable - trade        | 425,559                                     | 496,264                                     |
| Decrease (increase) in inventories                                  | (428,689)                                   | (141,141)                                   |
| Decrease (increase) in other current assets                         | (263,158)                                   | 31,969                                      |
| Decrease (increase) in other non-current assets                     | (234,300)                                   | (282,782)                                   |
| Increase (decrease) in notes and accounts payable - trade           | 842,957                                     | (214,124)                                   |
| Increase (decrease) in other current liabilities                    | 543,325                                     | 112,853                                     |
| Other, net                                                          | 1,841                                       | 1,775                                       |
| Subtotal                                                            | 11,140,627                                  | 10,308,264                                  |
| Interest and dividend income received                               | 103,324                                     | 107,615                                     |
| Interest expenses paid                                              | (21,125)                                    | (10,952)                                    |
| Income taxes paid                                                   | (2,901,883)                                 | (3,839,994)                                 |
| Net cash provided by (used in) operating activities                 | 8,320,943                                   | 6,564,933                                   |

(Thousand yen)

|                                                              | For the fiscal year<br>ended March 31, 2018 | For the fiscal year<br>ended March 31, 2019 |
|--------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Cash flows from investing activities</b>                  |                                             |                                             |
| Payments into time deposits                                  | (844,718)                                   | (934,746)                                   |
| Proceeds from withdrawal of time deposits                    | 1,343,263                                   | 421,711                                     |
| Purchase of property, plant and equipment                    | (1,286,011)                                 | (2,498,739)                                 |
| Proceeds from sales of property, plant and equipment         | 140,720                                     | 33,498                                      |
| Purchase of intangible assets                                | (102,359)                                   | (229,989)                                   |
| Purchase of investment securities                            | (50,543)                                    | (58,639)                                    |
| Proceeds from sales of investment securities                 | 120,207                                     | 43,000                                      |
| Loan advances                                                | -                                           | (35,000)                                    |
| Proceeds from sales of investments in capital                | -                                           | 29,894                                      |
| Proceeds from share of profits on investments in capital     | 10,680                                      | -                                           |
| Net cash provided by (used in) investing activities          | (668,760)                                   | (3,229,010)                                 |
| <b>Cash flows from financing activities</b>                  |                                             |                                             |
| Net increase (decrease) in short-term loans payable          | -                                           | (249,752)                                   |
| Repayments of long-term loans payable                        | (328,783)                                   | (244,725)                                   |
| Proceeds from share issuance to non-controlling shareholders | 27,146                                      | -                                           |
| Purchase of treasury shares                                  | (1,199)                                     | (934)                                       |
| Repayments of finance lease obligations                      | (2,221)                                     | (1,476)                                     |
| Cash dividends paid                                          | (701,276)                                   | (802,011)                                   |
| Net cash provided by (used in) financing activities          | (1,006,334)                                 | (1,298,899)                                 |
| Effect of exchange rate change on cash and cash equivalents  | (75,176)                                    | 150,880                                     |
| Net increase (decrease) in cash and cash equivalents         | 6,570,671                                   | 2,187,904                                   |
| Cash and cash equivalents at beginning of period             | 24,910,742                                  | 31,481,413                                  |
| Cash and cash equivalents at end of period                   | 31,481,413                                  | 33,669,317                                  |

#### 4. Others

##### (1) Change in Director

Subject to a resolution at the Company's 68th Annual General Meeting of Shareholders to be held on June 27, 2019, there will be a change in Director as follows:

##### Candidate for new Director

##### Outside Director

Hiroko Tanaka

(Current positions: Professor, College of Gastronomy Management (primary) and Graduate School of Business Administration (secondary), Ritsumeikan University, Outside Director, MARCHE CORPORATION)

##### (2) Significant litigation matters, etc.

As of the reporting date, the following lawsuits, etc. against the Company or a joint venture comprised of four companies including the Company are pending in the Osaka District Court or the Tokyo District Court.

| Lawsuit Filing Date | Plaintiff             | Claimed Amount | Lawsuit Overview                                                                                                                                                                                                                                                                                                                             |
|---------------------|-----------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| August 10, 2017     | Daiichi-tec Co., Ltd. | ¥740 million   | A lawsuit filed against the Company, with the plaintiff seeking payment for contracts regarding specific construction work of a joint venture comprised of four companies including the Company. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Osaka District Court.               |
| August 15, 2017     | Newwell Co., Ltd.     | ¥243 million   | A lawsuit filed against a joint venture comprised of four companies including the Company, with the plaintiff seeking payment for sales charges. The Company asserts that the goods covered under the sales charges are not within the scope of those managed by the Company, and the case is currently pending in the Tokyo District Court. |
| November 1, 2017    | Nakariki Co., Ltd.    | ¥171 million   | A lawsuit filed against the Company, with the plaintiff seeking payment for specific construction work. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Tokyo District Court.                                                                                                        |