

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2018
[Japanese GAAP] (Unaudited)



May 11, 2018

Company name: HIRANO TECSEED Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6245
 URL: <http://www.hirano-tec.co.jp/>
 Representative: Kaoru Okada, President and Director
 Contact: Munenori Yasui, Director and General Manager, General Affairs Division
 Phone: +81-745-57-0681
 Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2018
 Scheduled date of commencing dividend payments: June 28, 2018
 Scheduled date of filing annual securities report: June 27, 2018
 Supplemental Explanatory Materials for Account Settlement: None
 Explanatory Meeting for Account Settlement to be held: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2018	20,738	5.5	2,924	(3.2)	2,982	(3.0)	2,088	(8.5)
Fiscal year ended March 31, 2017	19,651	7.2	3,021	54.9	3,075	51.2	2,281	71.5

(Note) Comprehensive income: Fiscal year ended March 31, 2018: ¥2,219 million (down 12.4 %)
 Fiscal year ended March 31, 2017: ¥2,532 million (up 142.6 %)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal year ended March 31, 2018	138.81	—	8.7	8.4	14.1
Fiscal year ended March 31, 2017	151.67	—	10.3	9.7	15.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2018: ¥ - million
 Fiscal year ended March 31, 2017: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of March 31, 2018	37,557	24,923	66.4	1,656.75
As of March 31, 2017	33,714	23,140	68.6	1,538.21

(Reference) Equity: As of March 31, 2018: ¥24,923 million
 As of March 31, 2017: ¥23,140 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
	million yen	million yen	million yen	million yen
Fiscal year ended March 31, 2018	(601)	(1,675)	(530)	8,341
Fiscal year ended March 31, 2017	(344)	(893)	165	11,147

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
Fiscal year ended March 31, 2017	—	12.00	—	16.00	28.00	421	18.5	1.9
Fiscal year ended March 31, 2018	—	13.00	—	17.00	30.00	451	21.6	1.9
Fiscal year ending March 31, 2019 (Forecast)	—	18.00	—	18.00	36.00		—	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First half (cumulative total)	14,000	22.8	1,760	17.1	1,800	16.5	1,260	19.2	83.76
Full year	30,000	44.7	3,950	35.1	4,000	34.1	2,800	34.1	186.12

Notes

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

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

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

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

3) Changes in accounting estimates: No

4) Restatement: No

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

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

March 31, 2018: 15,394,379 shares

March 31, 2017: 15,394,379 shares

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

March 31, 2018: 350,783 shares

March 31, 2017: 350,436 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2018: 15,043,726 shares

Fiscal year ended March 31, 2017: 15,043,968 shares

* This financial results report is outside the scope of auditing to be conducted by certified public accountants or an audit corporation.

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

Performance forecasts and other forward-looking statements contained in this report are based on information available on the date of this report's release. Because of various factors in the future, however, actual results may differ from the forecasts.

Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	10,786,126	10,280,211
Notes and accounts receivable - trade	7,334,472	7,461,326
Electronically recorded monetary claims - operating	265,890	1,587,838
Securities	2,399,983	600,000
Work in process	4,815,976	8,524,989
Raw materials and supplies	82,428	99,808
Advance payments - trade	101,771	101,573
Deferred tax assets	98,511	112,726
Other	517,115	364,243
Allowance for doubtful accounts	△3,415	△6,165
Total current assets	26,398,862	29,126,553
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,151,942	3,171,700
Accumulated depreciation	△1,867,136	△1,922,379
Buildings and structures, net	1,284,806	1,249,320
Machinery, equipment and vehicles	2,944,378	2,964,423
Accumulated depreciation	△2,518,735	△2,521,648
Machinery, equipment and vehicles, net	425,643	442,775
Land	2,135,348	2,125,248
Leased assets	16,766	15,314
Accumulated depreciation	△9,213	△7,491
Leased assets, net	7,552	7,822
Construction in progress	2,053	1,372
Other	593,685	613,927
Accumulated depreciation	△496,856	△480,558
Other, net	96,829	133,369
Total property, plant and equipment	3,952,232	3,959,908
Intangible assets		
Software	107,228	74,907
Software in progress	3,650	14,860
Telephone subscription right	516	516
Total intangible assets	111,394	90,283
Investments and other assets		
Investment securities	2,711,820	3,888,774
Long-term prepaid expenses	35,916	49,738
Deferred tax assets	5,176	—
Other	499,471	442,617
Total investments and other assets	3,252,385	4,381,130
Total non-current assets	7,316,012	8,431,323
Total assets	33,714,875	37,557,876

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,924,696	3,564,132
Electronically recorded obligations - operating	2,031,712	2,652,175
Current portion of long-term loans payable	640,392	584,932
Lease obligations	2,390	3,063
Accounts payable - other	456,118	383,104
Accrued expenses	96,703	109,433
Income taxes payable	489,489	509,539
Advances received	2,125,160	3,063,444
Provision for bonuses	189,009	198,050
Provision for product warranties	80,692	67,389
Other	83,283	76,783
Total current liabilities	9,119,647	11,212,048
Non-current liabilities		
Long-term loans payable	686,144	649,824
Lease obligations	6,139	5,859
Deferred tax liabilities	106,423	138,462
Provision for directors' retirement benefits	90,540	79,470
Net defined benefit liability	549,874	533,266
Asset retirement obligations	14,594	14,888
Other	730	575
Total non-current liabilities	1,454,446	1,422,347
Total liabilities	10,574,094	12,634,395
Net assets		
Shareholders' equity		
Capital stock	1,847,821	1,847,821
Capital surplus	1,339,722	1,339,722
Retained earnings	20,068,060	21,719,994
Treasury shares	△407,646	△408,218
Total shareholders' equity	22,847,958	24,499,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	504,665	621,205
Remeasurements of defined benefit plans	△211,842	△197,044
Total accumulated other comprehensive income	292,823	424,160
Total net assets	23,140,781	24,923,481
Total liabilities and net assets	33,714,875	37,557,876

(2) Consolidated statements of income and Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	19,651,317	20,738,206
Cost of sales	14,906,162	16,031,740
Gross profit	4,745,155	4,706,465
Selling, general and administrative expenses		
Sales commission	193,793	219,365
Salaries and allowances	502,202	521,494
Directors' compensations	132,003	110,449
Provision for bonuses	44,991	45,272
Retirement benefit expenses	50,018	41,849
Provision for directors' retirement benefits	42,030	25,700
Legal and employee benefits expenses	127,660	125,850
Transportation and communication expenses	116,633	108,344
Depreciation	124,072	146,648
Rent expenses	30,940	32,239
Provision of allowance for doubtful accounts	936	2,750
Other	358,536	402,340
Total selling, general and administrative expenses	1,723,816	1,782,303
Operating profit	3,021,338	2,924,161
Non-operating income		
Interest income	9,095	5,044
Dividend income	44,402	48,754
Purchase discounts	5,395	7,388
Rent income	8,469	—
Other	19,453	36,522
Total non-operating income	86,815	97,709
Non-operating expenses		
Interest expenses	8,577	7,480
Sales discounts	2,560	9,661
Compensation expenses	20,000	—
Loss on sales of securities	—	14,273
Loss on retirement of non-current assets	—	4,076
Other	1,315	3,960
Total non-operating expenses	32,453	39,452
Ordinary profit	3,075,701	2,982,418
Extraordinary income		
Gain on sales of investment securities	7,819	—
Total extraordinary income	7,819	—
Extraordinary losses		
Impairment loss	—	10,100
Total extraordinary losses	—	10,100
Profit before income taxes	3,083,521	2,972,318
Income taxes - current	771,970	938,208
Income taxes - deferred	29,851	△54,094
Total income taxes	801,821	884,113
Profit	2,281,700	2,088,204
Profit attributable to owners of parent	2,281,700	2,088,204

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	2,281,700	2,088,204
Other comprehensive income		
Valuation difference on available-for-sale securities	187,328	116,539
Remeasurements of defined benefit plans, net of tax	63,352	14,797
Total other comprehensive income	250,681	131,337
Comprehensive income	2,532,381	2,219,541
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,532,381	2,219,541
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
 Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,847,821	1,339,722	18,147,415	△407,599	20,927,360
Changes of items during period					
Dividends of surplus			△361,055		△361,055
Profit attributable to owners of parent			2,281,700		2,281,700
Purchase of treasury shares				△46	△46
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,920,644	△46	1,920,597
Balance at end of current period	1,847,821	1,339,722	20,068,060	△407,646	22,847,958

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	317,337	△275,194	42,142	20,969,502
Changes of items during period				
Dividends of surplus			—	△361,055
Profit attributable to owners of parent			—	2,281,700
Purchase of treasury shares			—	△46
Net changes of items other than shareholders' equity	187,328	63,352	250,681	250,681
Total changes of items during period	187,328	63,352	250,681	2,171,278
Balance at end of current period	504,665	△211,842	292,823	23,140,781

Current fiscal year(From April 1,2017 to March 31,2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,847,821	1,339,722	20,068,060	△407,646	22,847,958
Changes of items during period					
Dividends of surplus			△436,270		△436,270
Profit attributable to owners of parent			2,088,204		2,088,204
Purchase of treasury shares				△571	△571
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,651,934	△571	1,651,362
Balance at end of current period	1,847,821	1,339,722	21,719,994	△408,218	24,499,320

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	504,665	△211,842	292,823	23,140,781
Changes of items during period				
Dividends of surplus			—	△436,270
Profit attributable to owners of parent			—	2,088,204
Purchase of treasury shares			—	△571
Net changes of items other than shareholders' equity	116,539	14,797	131,337	131,337
Total changes of items during period	116,539	14,797	131,337	1,782,699
Balance at end of current period	621,205	△197,044	424,160	24,923,481

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,083,521	2,972,318
Depreciation	306,671	322,533
Amortization of long-term prepaid expenses	11,439	17,062
Increase (decrease) in provision for bonuses	9,519	9,041
Increase (decrease) in allowance for doubtful accounts	936	2,750
Increase (decrease) in provision for directors' retirement benefits	△69,850	△11,070
Increase (decrease) in provision for product warranties	16,016	△13,303
Increase (decrease) in net defined benefit liability	8,959	5,838
Interest and dividend income	△53,497	△53,798
Interest expenses	8,577	7,480
Loss on retirement of non-current assets	1,221	4,076
Decrease (increase) in notes and accounts receivable - trade	△1,122,177	△510,518
Decrease (increase) in inventories	△2,262,961	△3,847,838
Increase (decrease) in notes and accounts payable - trade	847,018	1,260,098
Increase (decrease) in accounts payable - other	△91,418	△81,043
Increase (decrease) in accrued expenses	6,181	12,730
Decrease (increase) in consumption taxes refund receivable	△99,574	159,772
Increase (decrease) in accrued consumption taxes	△14,278	△4,174
Other, net	1,797	27,762
Subtotal	588,100	279,716
Interest and dividend income received	53,400	53,798
Interest expenses paid	△8,577	△7,480
Income taxes paid	△981,810	△928,671
Income taxes refund	4,567	1,214
Net cash provided by (used in) operating activities	△344,319	△601,423
Cash flows from investing activities		
Payments into time deposits	△302,000	△902,000
Proceeds from withdrawal of time deposits	202,000	902,000
Purchase of securities	△3,099,904	△600,000
Proceeds from sales of securities	3,241,000	100,000
Purchase of property, plant and equipment	△865,751	△192,229
Proceeds from sales of property, plant and equipment	881	715
Purchase of intangible assets	△56,877	△18,069
Purchase of investment securities	△154,589	△1,754,148
Proceeds from sales and redemption of investment securities	216,846	752,657
Other, net	△74,795	35,638
Net cash provided by (used in) investing activities	△893,189	△1,675,435
Cash flows from financing activities		
Proceeds from long-term loans payable	1,070,000	550,000
Repayments of long-term loans payable	△539,348	△641,780

Purchase of treasury shares	△46	△571
Cash dividends paid	△360,817	△435,173
Other, net	△4,060	△3,086
Net cash provided by (used in) financing activities	165,726	△530,611
Effect of exchange rate change on cash and cash equivalents	△1,321	1,571
Net increase (decrease) in cash and cash equivalents	△1,073,103	△2,805,898
Cash and cash equivalents at beginning of period	12,220,213	11,147,110
Cash and cash equivalents at end of period	11,147,110	8,341,211

Production, Orders Received, and Sales

(1) Production

Production performance by segment for the current consolidated fiscal year is as follows

(Thousand yen)

Name of segment	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Coating and laminating machinery	7,309,166	6,962,299
Industrial machinery	6,571,075	7,543,790
Others	1,025,920	1,525,651
Total	14,906,162	16,031,740

(Notes) 1. The above amount is calculated based on production costs and includes outsourcing production.

2. The above amount does not include consumption taxes.

(2) Orders Received

The status of orders received by segment for the current consolidated fiscal year is as follows

(Thousand yen)

Name of segment	Orders received		Backlog of orders	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Coating and laminating machinery	13,215,900	17,069,156	9,914,977	18,080,681
Industrial machinery	9,738,841	21,921,024	7,449,551	19,668,333
Others	1,559,401	2,366,542	497,659	731,690
Total	24,514,143	41,356,723	17,862,187	38,480,705

(Notes) 1. The above amount is calculated based on sales prices.

2. The above amount does not include consumption taxes.

(3) Sales

Sales performance by segment for the current consolidated fiscal year is as follows

(Thousand yen)

Name of segment	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Coating and laminating machinery	9,155,944	8,903,452
Industrial machinery	8,982,969	9,702,242
Others	1,512,403	2,132,511
Total	19,651,317	20,738,206

(Notes) 1. The above amount is calculated based on sales prices.

2. The above amount does not include consumption taxes.