



Consolidated Financial Results for the Year Ended October 31, 2019 [Japanese GAAP]

December 12, 2019

Company name: KOBAYASHI METALS LIMITED
 Stock exchange listing: Tokyo
 Code number: 8077
 URL: <https://www.kobayashi-metals.co.jp>
 Representative: Higaki Toshiyuki, President
 Contact: Nishijima Hiroshi, General Manager, Administration Department
 Phone: 06-6535-3690
 Scheduled date of Annual General Meeting of Shareholders: January 30, 2020
 Scheduled date of commencing dividend payments: January 31, 2020
 Scheduled date of filing annual securities report: January 31, 2020
 Availability of supplementary briefing material on annual financial results: No
 Schedule of annual financial results briefing session: No

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

1. Consolidated Financial Results for the Fiscal Year Ended October 31, 2019 (November 01, 2018 to October 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 October 31, 2019 | 22,050 | (3.2) | 432 | (28.0) | 662 | (22.7) | 469 | (20.8) |
| October 31, 2018 | 22,777 | 9.1 | 600 | 32.1 | 856 | 25.8 | 592 | (1.1) |

(Note) Comprehensive income: Fiscal year ended October 31, 2019: ¥ 138 million [(17.9) %]
 Fiscal year ended October 31, 2018: ¥ 169 million [(89.3) %]

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets ratio | Operating profit to net sales ratio |
|------------------------------------|--------------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended October 31, 2019 | 18.45 | - | 4.0 | 2.7 | 2.0 |
| October 31, 2018 | 22.77 | 22.62 | 5.0 | 3.6 | 2.6 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|------------------------|--------------|-------------|------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of October 31, 2019 | 25,938 | 11,632 | 44.8 | 460.72 |
| October 31, 2018 | 23,567 | 11,799 | 50.1 | 459.06 |

(Reference) Equity: As of October 31, 2019: ¥ 11,632 million
 As of October 31, 2018: ¥ 11,796 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended October 31, 2019 | 1,274 | (3,078) | 2,411 | 2,249 |
| October 31, 2018 | 126 | (171) | (118) | 1,642 |

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 | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| October 31, 2018 | - | 3.00 | - | 3.00 | 6.00 | 155 | 26.4 | 1.3 |
| October 31, 2019 | - | 3.00 | - | 3.00 | 6.00 | 151 | 32.5 | 1.3 |
| Fiscal year ending October 31, 2020(Forecast) | - | 3.00 | - | 3.00 | 6.00 | | 30.5 | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending October 31, 2020 (November 01, 2019 to October 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 |
| Six months ended April 30, 2020 | 11,330 | 1.8 | 250 | 1.1 | 370 | 1.3 | 270 | 8.5 | 10.62 |
| Full year | 22,710 | 3.0 | 440 | 1.7 | 700 | 5.7 | 500 | 6.6 | 19.66 |

* 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 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):

| | |
|-------------------|-------------------|
| October 31, 2019: | 28,007,448 shares |
| October 31, 2018: | 28,007,448 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|-------------------|------------------|
| October 31, 2019: | 2,759,512 shares |
| October 31, 2018: | 2,310,992 shares |
 - 3) Average number of shares during the period:

| | |
|-------------------------------------|-------------------|
| Fiscal Year ended October 31, 2019: | 25,433,523 shares |
| Fiscal Year ended October 31, 2018: | 26,033,840 shares |

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

| | As of October 31,2018 | As of October 31,2019 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,642,038 | 2,249,538 |
| Notes and accounts receivable - trade | 8,180,253 | 7,622,272 |
| Merchandise | 4,136,978 | 3,851,367 |
| Other | 238,436 | 253,141 |
| Allowance for doubtful accounts | (11,267) | (8,748) |
| Total current assets | 14,186,439 | 13,967,570 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,424,316 | 2,472,349 |
| Accumulated depreciation | (1,829,358) | (1,862,327) |
| Buildings and structures, net | 594,957 | 610,022 |
| Machinery, equipment and vehicles | 231,994 | 320,909 |
| Accumulated depreciation | (202,508) | (218,844) |
| Machinery, equipment and vehicles, net | 29,486 | 102,065 |
| Land | 1,851,974 | 4,495,128 |
| Other | 336,404 | 350,153 |
| Accumulated depreciation | (269,453) | (252,789) |
| Other, net | 66,950 | 97,364 |
| Total property, plant and equipment | 2,543,368 | 5,304,580 |
| Intangible assets | | |
| Software | 25,233 | 56,113 |
| Right of using water facilities | 348 | 251 |
| Telephone subscription right | 14,485 | 14,485 |
| Other | 30,263 | 34,231 |
| Total intangible assets | 70,331 | 105,082 |
| Investments and other assets | | |
| Investment securities | 6,257,517 | 6,096,001 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 11,368 | 8,633 |
| Deferred tax assets | 24,413 | 40,288 |
| Retirement benefit asset | 52,001 | 85,760 |
| Other | 433,260 | 338,727 |
| Allowance for doubtful accounts | (11,368) | (8,633) |
| Total investments and other assets | 6,767,193 | 6,560,777 |
| Total non-current assets | 9,380,893 | 11,970,440 |
| Total assets | 23,567,333 | 25,938,011 |

(Thousand yen)

| | As of October 31,2018 | As of October 31,2019 |
|--|-----------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,561,146 | 4,418,036 |
| Short-term loans payable | 3,540,000 | 6,260,000 |
| Accounts payable - other | 338,415 | 388,242 |
| Accrued expenses | 56,716 | 56,243 |
| Income taxes payable | 87,875 | 105,854 |
| Provision for bonuses | 111,323 | 129,307 |
| Provision for bonuses for directors (and other officers) | 7,000 | - |
| Other | 80,443 | 68,931 |
| Total current liabilities | 8,782,920 | 11,426,614 |
| Non-current liabilities | | |
| Long-term loans payable | 1,300,000 | 1,300,000 |
| Deferred tax liabilities | 1,474,414 | 1,375,637 |
| Retirement benefit liability | 202,852 | 197,054 |
| Long-term guarantee deposited | 4,500 | 4,500 |
| Other | 3,538 | 2,074 |
| Total non-current liabilities | 2,985,305 | 2,879,266 |
| Total liabilities | 11,768,226 | 14,305,880 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,712,335 | 2,712,335 |
| Capital surplus | 1,728,146 | 1,728,146 |
| Retained earnings | 4,468,118 | 4,784,392 |
| Treasury shares | (656,121) | (806,125) |
| Total shareholders' equity | 8,252,480 | 8,418,749 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,490,498 | 3,157,872 |
| Remeasurements of defined benefit plans | 53,153 | 55,507 |
| Total accumulated other comprehensive income | 3,543,651 | 3,213,380 |
| Share acquisition rights | 2,975 | - |
| Total net assets | 11,799,106 | 11,632,130 |
| Total liabilities and net assets | 23,567,333 | 25,938,011 |

Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

| | For the fiscal year ended October 31,2018 | For the fiscal year ended October 31,2019 |
|--|--|--|
| Net sales | 22,777,110 | 22,050,805 |
| Cost of sales | 18,184,311 | 17,669,102 |
| Gross profit | 4,592,798 | 4,381,702 |
| Selling, general and administrative expenses | 3,991,828 | 3,948,857 |
| Operating profit | 600,970 | 432,845 |
| Non-operating income | | |
| Interest income | 141 | 51 |
| Dividend income | 176,243 | 175,201 |
| Rent income | 14,464 | 14,931 |
| Purchase discounts | 87,265 | 90,454 |
| Other | 39,135 | 22,188 |
| Total non-operating income | 317,250 | 302,827 |
| Non-operating expenses | | |
| Interest expenses | 21,263 | 23,714 |
| Sales discounts | 29,624 | 33,206 |
| Other | 11,105 | 16,732 |
| Total non-operating expenses | 61,993 | 73,652 |
| Ordinary profit | 856,227 | 662,019 |
| Extraordinary income | | |
| Gain on sales of investment securities | - | 7,409 |
| Gain on reversal of share acquisition rights | - | 2,975 |
| Total extraordinary income | - | 10,384 |
| Extraordinary losses | | |
| Loss on sales of investment securities | - | 106 |
| Total extraordinary losses | - | 106 |
| Profit before income taxes | 856,227 | 672,297 |
| Income taxes - current | 158,224 | 178,941 |
| Income taxes - deferred | 105,299 | 24,187 |
| Total income taxes | 263,523 | 203,128 |
| Profit | 592,704 | 469,168 |
| Profit attributable to owners of parent | 592,704 | 469,168 |

Consolidated Statements of Comprehensive Income

(Thousand yen)

| | For the fiscal year ended October 31,2018 | For the fiscal year ended October 31,2019 |
|---|--|--|
| Profit | 592,704 | 469,168 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (463,481) | (332,625) |
| Remeasurements of defined benefit plans, net of tax | 40,018 | 2,354 |
| Total other comprehensive income | (423,463) | (330,271) |
| Comprehensive income | 169,240 | 138,897 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 169,240 | 138,897 |

Consolidated Statements of Changes in Net Assets
For the fiscal year ended October 31,2018

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,712,335 | 1,728,146 | 4,032,712 | (402,963) | 8,070,231 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (157,297) | | (157,297) |
| Profit attributable to owners of parent | | | 592,704 | | 592,704 |
| Purchase of treasury shares | | | | (253,158) | (253,158) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 435,406 | (253,158) | 182,248 |
| Balance at end of current period | 2,712,335 | 1,728,146 | 4,468,118 | (656,121) | 8,252,480 |

| | Accumulated other comprehensive income | | | Share acquisition rights | 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 | 3,953,979 | 13,135 | 3,967,114 | 2,975 | 12,040,321 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (157,297) |
| Profit attributable to owners of parent | | | | | 592,704 |
| Purchase of treasury shares | | | | | (253,158) |
| Net changes of items other than shareholders' equity | (463,481) | 40,018 | (423,463) | - | (423,463) |
| Total changes of items during period | (463,481) | 40,018 | (423,463) | - | (241,214) |
| Balance at end of current period | 3,490,498 | 53,153 | 3,543,651 | 2,975 | 11,799,106 |

For the fiscal year ended October 31,2019

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,712,335 | 1,728,146 | 4,468,118 | (656,121) | 8,252,480 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (152,895) | | (152,895) |
| Profit attributable to owners of parent | | | 469,168 | | 469,168 |
| Purchase of treasury shares | | | | (150,004) | (150,004) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 316,273 | (150,004) | 166,269 |
| Balance at end of current period | 2,712,335 | 1,728,146 | 4,784,392 | (806,125) | 8,418,749 |

| | Accumulated other comprehensive income | | | Share acquisition rights | 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 | 3,490,498 | 53,153 | 3,543,651 | 2,975 | 11,799,106 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (152,895) |
| Profit attributable to owners of parent | | | | | 469,168 |
| Purchase of treasury shares | | | | | (150,004) |
| Net changes of items other than shareholders' equity | (332,625) | 2,354 | (330,271) | (2,975) | (333,246) |
| Total changes of items during period | (332,625) | 2,354 | (330,271) | (2,975) | (166,976) |
| Balance at end of current period | 3,157,872 | 55,507 | 3,213,380 | - | 11,632,130 |

Consolidated Statements of Cash Flows

(Thousand yen)

| | For the fiscal year ended October 31,2018 | For the fiscal year ended October 31,2019 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 856,227 | 672,297 |
| Depreciation | 94,487 | 89,869 |
| Increase (decrease) in retirement benefit liability | 14,498 | (6,529) |
| Increase (decrease) in allowance for doubtful accounts | 10,007 | (1,945) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 1,900 | (7,000) |
| Increase (decrease) in provision for bonuses | (2,489) | 17,983 |
| Interest and dividend income | (176,385) | (175,253) |
| Interest expenses | 21,263 | 23,714 |
| Loss (gain) on sales of investment securities | - | (7,302) |
| Gain on reversal of share acquisition rights | - | (2,975) |
| Decrease (increase) in notes and accounts receivable - trade | (293,461) | 556,690 |
| Decrease (increase) in inventories | (453,412) | 285,611 |
| Decrease (increase) in other current assets | 4,599 | 10,983 |
| Increase (decrease) in notes and accounts payable - trade | 87,611 | (143,110) |
| Increase (decrease) in other current liabilities | 32,515 | (6,248) |
| Other, net | (36,868) | (22,026) |
| Subtotal | 160,493 | 1,284,759 |
| Interest and dividend income received | 176,482 | 175,261 |
| Interest expenses paid | (21,860) | (23,719) |
| Income taxes (paid) refund | (188,618) | (162,195) |
| Net cash provided by (used in) operating activities | 126,496 | 1,274,105 |
| Cash flows from investing activities | | |
| Proceeds from sales of property, plant and equipment | 637 | 394 |
| Purchase of property, plant and equipment | (62,557) | (2,820,969) |
| Purchase of intangible assets | (33,462) | (51,102) |
| Proceeds from sales of investment securities | - | 31,848 |
| Purchase of investment securities | (1,683) | (334,532) |
| Other, net | (74,758) | 95,847 |
| Net cash provided by (used in) investing activities | (171,823) | (3,078,513) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (110,000) | 2,720,000 |
| Proceeds from long-term loans payable | 1,100,000 | - |
| Repayments of long-term loans payable | (200,000) | - |
| Redemption of bonds | (500,000) | - |
| Purchase of treasury shares | (253,158) | (150,004) |
| Cash dividends paid | (153,709) | (156,624) |
| Other, net | (1,464) | (1,464) |
| Net cash provided by (used in) financing activities | (118,331) | 2,411,907 |
| Net increase (decrease) in cash and cash equivalents | (163,659) | 607,500 |
| Cash and cash equivalents at beginning of period | 1,805,697 | 1,642,038 |
| Cash and cash equivalents at end of period | 1,642,038 | 2,249,538 |