

Consolidated Financial Results
for the Fiscal Year Ended December 31, 2017
[Japanese GAAP]



February 13, 2018

Company name: RS Technologies Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3445
 URL: <http://www.rs-tec.jp/>
 Representative: Nagayoshi Ho, President
 Contact: Masayuki Suzuki, Director and General Manager, Administrators Division
 Phone: +81-3-5709-7685
 Scheduled date of annual general shareholders' meeting: March 29, 2018
 Scheduled date of commencing dividend payments: —
 Scheduled date of filing annual securities report: March 29, 2018
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017 to December 31, 2017)

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

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|-------------------------------------|-------------|------|------------------|------|-----------------|-------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended December 31, 2017 | 10,988 | 24.2 | 3,075 | 97.4 | 3,223 | 122.2 | 2,210 | 154.1 |
| December 31, 2016 | 8,849 | 59.6 | 1,557 | 44.1 | 1,450 | 54.7 | 869 | 185.8 |

(Note) Comprehensive income: Fiscal year ended December 31, 2017: ¥2,271 million [163.3%]
 Fiscal year ended December 31, 2016: ¥862 million [202.8%]

| | 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 December 31, 2017 | 199.35 | 190.58 | 47.4 | 27.6 | 28.0 |
| December 31, 2016 | 79.98 | 77.57 | 28.2 | 14.1 | 17.6 |

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended December 31, 2017: ¥— million
 Fiscal year ended December 31, 2016: ¥— million

(Note) It executed the stock split on July 1, 2017. It'll be the percentage of 1 to 2.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2017 | 12,468 | 5,792 | 46.4 | 518.07 |
| As of December 31, 2016 | 10,859 | 3,541 | 32.6 | 321.30 |

(Reference) Equity: As of December 31, 2017: ¥5,786 million
 As of December 31, 2016: ¥3,535 million

(Note) It executed the stock split on July 1, 2017. It'll be the percentage of 1 to 2.

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended December 31, 2017 | 2,744 | (202) | (1,252) | 2,916 |
| December 31, 2016 | 964 | (776) | (91) | 1,714 |

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 December 31, 2016 | — | 0.00 | — | 10.00 | 10.00 | 55 | 12.5 | 3.5 |
| Fiscal year ended December 31, 2017 | — | 0.00 | — | 5.00 | 5.00 | 55 | 2.5 | 1.2 |
| Fiscal year ending December 31, 2018 (Forecast) | — | — | — | — | — | | — | |

1. Breakdown of yearend dividend for the fiscal year ended December 31, 2017: Ordinary dividend ¥5.00; Commemorative dividend ¥5.00

2. Dividends for the fiscal year ending December 31, 2018 are yet to be decided.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Earnings per share |
|------------|-------------|-------|------------------|------|-----------------|------|---|------|--------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 10,043 | 102.0 | 1,763 | 25.5 | 1,681 | 5.1 | 1,106 | 3.4 | 99.03 |
| Full year | 20,993 | 91.1 | 3,891 | 26.5 | 3,897 | 20.9 | 2,585 | 17.0 | 231.40 |

*** Notes:**

- (1) Changes in significant subsidiaries during the fiscal year ended December 31, 2017 (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):
December 31, 2017: 11,174,000 shares
December 31, 2016: 11,010,000 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2017: 4,632 shares
December 31, 2016: 6814 shares
 - 3) Average number of shares during the period:
Fiscal year ended December 31, 2017: 11,086,538 shares
Fiscal year ended December 31, 2016: 10,872,786 shares

(Note) It executed the stock split on July 1, 2017. It'll be the percentage of 1 to 2.

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017 to December 31, 2017)

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

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|-------------------|-------------|------|------------------|------|-----------------|------|-------------|------|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| December 31, 2017 | 8,503 | 8.8 | 2,139 | 33.9 | 2,321 | 48.4 | 1,453 | 57.9 |
| December 31, 2016 | 7,817 | 35.9 | 1,597 | 12.1 | 1,564 | 14.7 | 920 | 14.9 |

| | Earnings per share | Diluted earnings per share |
|-------------------|--------------------|----------------------------|
| Fiscal year ended | Yen | Yen |
| December 31, 2017 | 131.15 | 125.38 |
| December 31, 2016 | 84.68 | 82.13 |

(Note) It executed the stock split on July 1, 2017. It'll be the percentage of 1 to 2.

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2017 | 9,866 | 5,572 | 56.4 | 498.33 |
| As of December 31, 2016 | 9,652 | 4,138 | 42.8 | 375.53 |

(Reference) Equity: As of December 31, 2017: ¥5,565 million

As of December 31, 2016: ¥4,132 million

(Note) It executed the stock split on July 1, 2017. It'll be the percentage of 1 to 2.

*** Presentation regarding the implementation status of the audit procedures**

These financial results are outside the scope of audit procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

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

The earnings forecasts and other forward-looking statements herein are based on information that is 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

| | As of December 31, 2016 | As of December 31, 2017 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,952,928 | 3,243,026 |
| Notes and accounts receivable - trade | 2,727,931 | 3,141,488 |
| Merchandise and finished goods | 361,110 | 463,258 |
| Work in process | 132,598 | 112,882 |
| Raw materials and supplies | 134,801 | 321,660 |
| Deferred tax assets | 127,075 | 97,379 |
| Other | 92,401 | 249,598 |
| Allowance for doubtful accounts | (3,261) | (3,920) |
| Total current assets | 5,525,586 | 7,625,373 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,525,555 | 1,612,373 |
| Accumulated depreciation | (100,888) | (193,992) |
| Buildings and structures, net | 1,424,667 | 1,418,381 |
| Machinery, equipment and vehicles | 4,795,490 | 4,942,760 |
| Accumulated depreciation | (1,182,784) | (1,787,429) |
| Machinery, equipment and vehicles, net | 3,612,706 | 3,155,331 |
| Tools, furniture and fixtures | 86,231 | 101,335 |
| Accumulated depreciation | (30,490) | (56,125) |
| Tools, furniture and fixtures, net | 55,741 | 45,209 |
| Leased assets | 60,613 | 63,804 |
| Accumulated depreciation | (2,020) | (14,887) |
| Leased assets, net | 58,593 | 48,916 |
| Construction in progress | 506 | 6,568 |
| Total property, plant and equipment | 5,152,215 | 4,674,406 |
| Intangible assets | | |
| Software | 23,050 | 19,599 |
| Total intangible assets | 23,050 | 19,599 |
| Investments and other assets | | |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 6,831 | 6,831 |
| Other | 158,348 | 149,265 |
| Allowance for doubtful accounts | (6,831) | (6,831) |
| Total investments and other assets | 158,348 | 149,265 |
| Total non-current assets | 5,333,614 | 4,843,271 |
| Total assets | 10,859,200 | 12,468,645 |

| | As of December 31, 2015 | As of December 31, 2016 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 283,389 | 398,537 |
| Short-term loans payable | 580,500 | 315,400 |
| Current portion of long-term loans payable | 947,166 | 950,688 |
| Lease obligations | 10,659 | 10,908 |
| Accounts payable - other | 310,223 | 368,776 |
| Income taxes payable | 426,823 | 982,901 |
| Provision for bonuses | 20,659 | 107,214 |
| Provision for shareholder benefit program | 13,797 | 8,039 |
| Other | 407,119 | 241,784 |
| Total current liabilities | 3,000,339 | 3,384,250 |
| Non-current liabilities | | |
| Long-term loans payable | 3,620,126 | 2,767,022 |
| Lease obligations | 42,332 | 31,383 |
| Deferred tax liabilities | 643,648 | 484,301 |
| Other | 11,463 | 9,187 |
| Total non-current liabilities | 4,317,570 | 3,291,894 |
| Total liabilities | 7,317,910 | 6,676,145 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 629,450 | 645,850 |
| Capital surplus | 629,440 | 645,840 |
| Retained earnings | 2,287,910 | 4,442,972 |
| Treasury shares | (8,550) | (6,357) |
| Total shareholders' equity | 3,538,249 | 5,728,305 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | (2,972) | 58,181 |
| Total accumulated other comprehensive income | (2,972) | 58,181 |
| Subscription rights to shares | 6,013 | 6,013 |
| Total net assets | 3,541,290 | 5,792,499 |
| Total liabilities and net assets | 10,859,200 | 12,468,645 |

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

(Thousand yen)

| | For the fiscal year ended December 31, 2016 | For the fiscal year ended December 31, 2017 |
|--|--|--|
| Net sales | 8,849,546 | 10,988,295 |
| Cost of sales | 6,332,983 | 6,642,923 |
| Gross profit | 2,516,562 | 4,345,372 |
| Selling, general and administrative expenses | 958,931 | 1,269,941 |
| Operating income | 1,557,630 | 3,075,431 |
| Non-operating income | | |
| Interest income | 901 | 2,257 |
| Subsidy income | 117,213 | 234,360 |
| Other | 14,115 | 21,727 |
| Total non-operating income | 132,230 | 258,345 |
| Non-operating expenses | | |
| Interest expenses | 74,745 | 70,435 |
| Foreign exchange losses | 127,054 | — |
| Going public expenses | 24,688 | — |
| Other | 2,672 | 39,964 |
| Total non-operating expenses | 239,164 | 110,399 |
| Ordinary income | 1,450,696 | 3,223,377 |
| Extraordinary income | | |
| State subsidy income | 14,776 | — |
| Total extraordinary income | 14,776 | — |
| Extraordinary losses | | |
| Facilities transfer cost | — | — |
| Loss on retirement of non-current assets | 1,256 | — |
| Loss on reduction of non-current assets | 9,715 | — |
| Total extraordinary losses | 10,971 | — |
| Profit before income taxes | 1,454,501 | 3,223,377 |
| Income taxes - current | 399,518 | 1,063,470 |
| Income taxes - deferred | 185,329 | (50,204) |
| Total income taxes | 584,848 | 1,013,266 |
| Profit | 869,652 | 2,210,111 |
| Profit attributable to owners of parent | 869,652 | 2,210,111 |

Consolidated Statements of Comprehensive Income

(Thousand yen)

| | For the fiscal year ended December 31, 2016 | For the fiscal year ended December 31, 2017 |
|---|--|--|
| Profit | 869,652 | 2,210,111 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | (7,028) | 61,154 |
| Total other comprehensive income | (7,028) | 61,154 |
| Comprehensive income | 862,624 | 2,271,265 |
| Comprehensive income attributable to: | | |
| Owners of parent | 862,624 | 2,271,265 |
| Non-controlling interests | — | — |

(3) Consolidated Statements of Changes in Shareholders' Equity
For the fiscal year ended December 31, 2016

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 616,450 | 616,440 | 1,418,257 | (17,094) | 2,634,052 |
| Changes of items during period | | | | | |
| Issuance of new shares | 13,000 | 13,000 | | | 26,000 |
| Purchase of treasury shares | | | | (130) | (130) |
| Disposal of treasury shares | | | | 8,674 | 8,674 |
| Profit attributable to owners of parent | | | 869,652 | | 869,652 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 13,000 | 13,000 | 869,652 | 8,544 | 904,196 |
| Balance at end of period | 629,450 | 629,440 | 2,287,910 | (8,550) | 3,538,249 |

| | Accumulated other comprehensive income | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|--|-------------------------------|---------------------------|------------------|
| | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 4,055 | 4,055 | 6,013 | — | 2,644,121 |
| Changes of items during period | | | | | |
| Issuance of new shares | | | | | 26,000 |
| Purchase of treasury shares | | | | | (130) |
| Disposal of treasury shares | | | | | 8,674 |
| Profit attributable to owners of parent | | | | | 869,652 |
| Net changes of items other than shareholders' equity | (7,028) | (7,028) | — | — | (7,028) |
| Total changes of items during period | (7,028) | (7,028) | — | — | 897,168 |
| Balance at end of period | (2,972) | (2,972) | 6,013 | — | 3,541,290 |

For the fiscal year ended December 31, 2017

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 629,450 | 629,440 | 2,287,910 | (8,550) | 3,538,249 |
| Changes of items during period | | | | | |
| Issuance of new shares | 16,400 | 16,400 | | | 32,800 |
| Dividends of surplus | | | (55,048) | | (55,048) |
| Purchase of treasury shares | | | | (741) | (741) |
| Disposal of treasury shares | | | | 2,934 | 2,934 |
| Profit attributable to owners of parent | | | 2,210,111 | | 2,210,111 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 16,400 | 16,400 | 2,155,062 | 2,192 | 2,190,055 |
| Balance at end of period | 645,850 | 645,840 | 4,442,972 | (6,357) | 5,728,305 |

| | Accumulated other comprehensive income | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|--|-------------------------------|---------------------------|------------------|
| | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | (2,972) | (2,972) | 6,013 | — | 3,541,290 |
| Changes of items during period | | | | | |
| Issuance of new shares | | | | | 32,800 |
| Dividends of surplus | | | | | (55,048) |
| Purchase of treasury shares | | | | | (741) |
| Disposal of treasury shares | | | | | 2,934 |
| Profit attributable to owners of parent | | | | | 2,210,111 |
| Net changes of items other than shareholders' equity | 61,154 | 61,154 | — | — | 61,154 |
| Total changes of items during period | 61,154 | 61,154 | — | — | 2,251,209 |
| Balance at end of period | 58,181 | 58,181 | 6,013 | — | 5,792,499 |

(4) Consolidated Statements of Cash Flows

(Thousand yen)

| | For the fiscal year ended December 31, 2016 | For the fiscal year ended December 31, 2017 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,454,501 | 3,223,377 |
| Depreciation and amortization | 682,158 | 714,469 |
| Increase (decrease) in allowance for doubtful accounts | 10,092 | 659 |
| Increase (decrease) in provision for bonuses | (1,318) | 83,930 |
| Increase (decrease) in provision for shareholder benefit program | 13,797 | (5,758) |
| Interest and dividend income | (901) | (2,257) |
| Subsidy income | (117,213) | (234,360) |
| State subsidy income | (14,776) | — |
| Foreign exchange losses (gains) | 19,442 | (53,784) |
| Interest expenses | 74,745 | 70,435 |
| Going public expenses & Finance fee | 24,688 | 26,500 |
| Loss on reduction of non-current assets | 9,715 | — |
| Decrease (increase) in notes and accounts receivable - trade | (1,737,000) | (396,112) |
| Decrease (increase) in inventories | (11,175) | (263,763) |
| Increase (decrease) in notes and accounts payable - trade | 92,733 | 110,731 |
| Increase (decrease) in accounts payable - other | 112,211 | 81,733 |
| Other | 312,210 | (132,828) |
| Subtotal | 923,911 | 3,222,971 |
| Interest and dividend income received | 792 | 2,057 |
| Proceeds from subsidy income | 116,017 | 234,360 |
| Interest expenses paid | (73,849) | (52,936) |
| Income taxes paid | (2,690) | (661,950) |
| Net cash provided by (used in) operating activities | 964,180 | 2,744,501 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (759,716) | (100,677) |
| Purchase of intangible assets | (5,430) | (4,653) |
| Collection of loans receivable | — | — |
| Payments for lease and guarantee deposits | (18,463) | (10,330) |
| Proceeds from collection of lease and guarantee deposits | 1,192 | 982 |
| Purchase of insurance funds | (7,219) | (7,219) |
| Proceeds from state subsidy income | 14,776 | — |
| Other | (1,404) | (80,544) |
| Net cash provided by (used in) investing activities | (776,264) | (202,443) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 223,176 | (282,220) |
| Proceeds from long-term loans payable | 500,000 | 498,150 |
| Repayments of long-term loans payable | (871,410) | (1,413,388) |
| Proceeds from issuance of common shares | 25,946 | 32,800 |
| Purchase of treasury shares | (130) | (741) |
| Proceeds from sales of treasury shares | 8,674 | 2,934 |
| Proceeds from sales and leasebacks | 60,085 | — |
| Repayments of lease obligations | (2,864) | (11,479) |
| Other | (34,688) | (79,029) |
| Net cash provided by (used in) financing activities | (91,211) | (1,252,974) |
| Effect of exchange rate change on cash and cash equivalents | 13,844 | (87,248) |
| Net increase (decrease) in cash and cash equivalents | 110,548 | 1,201,835 |
| Cash and cash equivalents at beginning of period | 1,603,704 | 1,714,252 |
| Cash and cash equivalents at end of period | 1,714,252 | 2,916,087 |

