

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**

May 11, 2017

Company name: Kawasumi Laboratories, Incorporated
 Stock exchange listing: Tokyo
 Stock code: 7703 URL <http://www.kawasumi.jp/>
 Representative: President and Chief Executive Officer Yoshio Sakaya
 General Manager, Accounting and Finance
 Inquiries: Division Koichi Ukegawa TEL 03-5769-2600
 Scheduled date of ordinary general meeting of shareholders: June 22, 2017
 Scheduled date to file Securities Report: June 22, 2017
 Scheduled date to commence dividend payments: June 23, 2017
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	24,726	(12.1)	923	(56.6)	1,023	(53.0)	1,116	(4.4)
Year ended March 31, 2016	28,135	(1.0)	2,130	51.4	2,177	18.6	1,167	19.7

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	51.16	–	3.0	2.3	3.7
Year ended March 31, 2016	51.49	–	3.1	4.9	7.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	43,848	38,156	86.1	1,730.52
As of March 31, 2016	43,505	37,017	84.2	1,678.86

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	2,947	(2,418)	(329)	15,180
Year ended March 31, 2016	3,225	(221)	(1,358)	14,973

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	–	7.50	–	7.50	15.00	335	29.1	0.9
Year ended March 31, 2017	–	7.50	–	10.00	17.50	381	34.2	1.0
Year ending March 31, 2018 (Forecast)	–	7.50	–	7.50	15.00		54.5	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	12,300	0.1	100	(82.5)	150	(67.9)	150	(76.4)	6.88
Full year	25,000	1.1	600	(35.1)	650	(36.5)	600	(46.2)	27.50

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2017	22,948,003 shares	As of March 31, 2016	22,948,003 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2017	1,132,432 shares	As of March 31, 2016	1,132,272 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2017	21,815,643 shares	Year ended March 31, 2016	22,675,352 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	15,142	15,370
Notes and accounts receivable - trade	7,270	6,475
Merchandise and finished goods	3,373	3,137
Work in process	654	625
Raw materials and supplies	1,158	1,253
Deferred tax assets	246	208
Prepaid expenses	217	259
Other	228	580
Allowance for doubtful accounts	(71)	(19)
Total current assets	28,220	27,890
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,079	15,270
Accumulated depreciation	(9,347)	(9,983)
Buildings and structures, net	5,731	5,286
Machinery, equipment and vehicles	16,911	17,694
Accumulated depreciation	(14,024)	(14,745)
Machinery, equipment and vehicles, net	2,886	2,948
Tools, furniture and fixtures	5,763	5,897
Accumulated depreciation	(5,294)	(5,487)
Tools, furniture and fixtures, net	468	409
Land	1,125	2,138
Leased assets	2	5
Accumulated depreciation	(2)	(1)
Leased assets, net	0	3
Construction in progress	674	240
Total property, plant and equipment	10,887	11,028
Intangible assets	186	573
Investments and other assets		
Investment securities	3,723	3,916
Deferred tax assets	235	203
Other	294	260
Allowance for doubtful accounts	(42)	(23)
Total investments and other assets	4,210	4,356
Total non-current assets	15,284	15,958
Total assets	43,505	43,848

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,761	1,687
Lease obligations	0	1
Accounts payable - other	939	801
Accrued expenses	470	419
Income taxes payable	727	95
Accrued consumption taxes	105	45
Provision for bonuses	280	267
Provision for directors' bonuses	52	53
Other	47	71
Total current liabilities	4,384	3,442
Non-current liabilities		
Lease obligations	–	3
Deferred tax liabilities	0	32
Net defined benefit liability	1,655	1,758
Other	446	455
Total non-current liabilities	2,102	2,249
Total liabilities	6,487	5,692
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	24,444	25,233
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	36,492	37,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	793	911
Foreign currency translation adjustment	(595)	(361)
Remeasurements of defined benefit plans	(64)	(78)
Total accumulated other comprehensive income	133	471
Non-controlling interests	391	404
Total net assets	37,017	38,156
Total liabilities and net assets	43,505	43,848

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	28,135	24,726
Cost of sales	18,006	15,865
Gross profit	10,129	8,861
Selling, general and administrative expenses	7,999	7,937
Operating profit	2,130	923
Non-operating income		
Interest income	31	35
Dividend income	35	33
Share of profit of entities accounted for using equity method	41	56
Revenue of scraps	50	40
Other	14	48
Total non-operating income	172	214
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	111	102
Other	12	10
Total non-operating expenses	125	114
Ordinary profit	2,177	1,023
Extraordinary income		
Gain on sales of non-current assets	19	12
Gain on sales of investment securities	–	25
Total extraordinary income	19	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	35	44
Total extraordinary losses	35	44
Profit before income taxes	2,160	1,017
Income taxes - current	570	77
Income taxes for prior periods	433	–
Refund of income taxes for prior periods	–	(261)
Income taxes - deferred	(38)	60
Total income taxes	965	(123)
Profit	1,194	1,140
Profit attributable to non-controlling interests	27	24
Profit attributable to owners of parent	1,167	1,116

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	1,194	1,140
Other comprehensive income		
Valuation difference on available-for-sale securities	(146)	117
Foreign currency translation adjustment	(1,557)	225
Remeasurements of defined benefit plans, net of tax	(16)	(13)
Total other comprehensive income	(1,720)	329
Comprehensive income	(525)	1,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(512)	1,454
Comprehensive income attributable to non-controlling interests	(13)	15

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,642	6,462	23,620	(56)	36,667
Changes of items during period					
Dividends of surplus			(343)		(343)
Profit attributable to owners of parent			1,167		1,167
Purchase of treasury shares				(1,000)	(1,000)
Net changes of items other than shareholders' equity					
Total changes of items during period			824	(1,000)	(175)
Balance at end of current period	6,642	6,462	24,444	(1,056)	36,492

	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	939	921	(48)	1,812	408	38,889
Changes of items during period						
Dividends of surplus						(343)
Profit attributable to owners of parent						1,167
Purchase of treasury shares						(1,000)
Net changes of items other than shareholders' equity	(146)	(1,517)	(16)	(1,679)	(16)	(1,696)
Total changes of items during period	(146)	(1,517)	(16)	(1,679)	(16)	(1,872)
Balance at end of current period	793	(595)	(64)	133	391	37,017

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,642	6,462	24,444	(1,056)	36,492
Changes of items during period					
Dividends of surplus			(327)		(327)
Profit attributable to owners of parent			1,116		1,116
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period			788	(0)	788
Balance at end of current period	6,642	6,462	25,233	(1,056)	37,281

	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	793	(595)	(64)	133	391	37,017
Changes of items during period						
Dividends of surplus						(327)
Profit attributable to owners of parent						1,116
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	117	234	(13)	337	12	350
Total changes of items during period	117	234	(13)	337	12	1,139
Balance at end of current period	911	(361)	(78)	471	404	38,156

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,160	1,017
Depreciation	1,833	1,620
Increase (decrease) in allowance for doubtful accounts	12	(12)
Increase (decrease) in provision for bonuses	5	(12)
Increase (decrease) in provision for directors' bonuses	(3)	0
Increase (decrease) in net defined benefit liability	59	67
Interest and dividend income	(66)	(68)
Interest expenses	1	1
Foreign exchange losses (gains)	35	73
Share of (profit) loss of entities accounted for using equity method	(41)	(28)
Loss (gain) on sales and retirement of property, plant and equipment	16	31
Loss (gain) on sales of investment securities	–	(25)
Decrease (increase) in notes and accounts receivable - trade	(214)	838
Decrease (increase) in inventories	544	187
Decrease (increase) in other assets	91	(316)
Increase (decrease) in notes and accounts payable - trade	(394)	(81)
Increase (decrease) in other liabilities	(469)	107
Subtotal	3,571	3,401
Interest and dividend income received	55	62
Interest expenses paid	(1)	(1)
Income taxes paid	(400)	(515)
Net cash provided by (used in) operating activities	3,225	2,947
Cash flows from investing activities		
Payments into time deposits	(19)	(25)
Proceeds from withdrawal of time deposits	100	–
Purchase of property, plant and equipment	(288)	(2,072)
Proceeds from sales of property, plant and equipment	81	13
Purchase of intangible assets	(45)	(381)
Purchase of investment securities	(6)	–
Proceeds from sales of investment securities	–	30
Other, net	(42)	15
Net cash provided by (used in) investing activities	(221)	(2,418)
Cash flows from financing activities		
Decrease(increase) in treasury stock	(1,000)	(0)
Cash dividends paid	(343)	(324)
Dividends paid to non-controlling interests	(3)	(2)
Repayments of finance lease obligations	(11)	(1)
Net cash provided by (used in) financing activities	(1,358)	(329)
Effect of exchange rate change on cash and cash equivalents	(303)	6
Net increase (decrease) in cash and cash equivalents	1,342	206
Cash and cash equivalents at beginning of period	13,630	14,973
Cash and cash equivalents at end of period	14,973	15,180