

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

August 9, 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 to file Quarterly Securities Report: August 9, 2017
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Three months ended June 30, 2017	6,226	2.9	178	(42.5)	251	45.4	190	(51.6)
Three months ended June 30, 2016	6,048	(10.8)	309	(15.4)	173	(63.4)	393	14.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	8.73		–	
Three months ended June 30, 2016	18.03		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	43,747	38,399	86.9
As of March 31, 2017	43,848	38,156	86.1

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2017	–	7.50	–	10.00	17.50
Year ending March 31, 2018	–	–	–	–	–
Year ending March 31, 2018 (Forecast)	–	7.50	–	7.50	15.00

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 three months ended June 30, 2017
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2017	22,948,003 shares	As of March 31, 2017	22,948,003 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	1,132,432 shares	As of March 31, 2017	1,132,432 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2017	21,815,571 shares	Three months ended June 30, 2016	21,815,731 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	15,370	15,471
Notes and accounts receivable - trade	6,475	6,486
Merchandise and finished goods	3,137	2,853
Work in process	625	865
Raw materials and supplies	1,253	1,310
Other	1,047	854
Allowance for doubtful accounts	(19)	(16)
Total current assets	27,890	27,825
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,286	5,173
Machinery, equipment and vehicles, net	2,948	2,829
Other, net	2,793	2,791
Total property, plant and equipment	11,028	10,794
Intangible assets	573	571
Investments and other assets		
Investment securities	3,916	4,152
Other	464	426
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,356	4,555
Total non-current assets	15,958	15,922
Total assets	43,848	43,747
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,687	1,599
Income taxes payable	95	36
Provision	320	19
Other	1,339	1,383
Total current liabilities	3,442	3,038
Non-current liabilities		
Net defined benefit liability	1,758	1,780
Other	490	529
Total non-current liabilities	2,249	2,309
Total liabilities	5,692	5,348

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,233	25,205
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	37,281	37,253
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	1,080
Foreign currency translation adjustment	(361)	(258)
Remeasurements of defined benefit plans	(78)	(79)
Total accumulated other comprehensive income	471	743
Non-controlling interests	404	401
Total net assets	38,156	38,399
Total liabilities and net assets	43,848	43,747

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	6,048	6,226
Cost of sales	3,802	4,059
Gross profit	2,245	2,166
Selling, general and administrative expenses	1,935	1,988
Operating profit	309	178
Non-operating income		
Interest income	8	8
Dividend income	18	23
Compensation income	–	41
Share of profit of entities accounted for using equity method	9	–
Revenue of scraps	8	10
Other	3	5
Total non-operating income	48	90
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	184	11
Share of loss of entities accounted for using equity method	–	3
Other	0	0
Total non-operating expenses	185	16
Ordinary profit	173	251
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	1
Other	0	–
Total extraordinary losses	3	1
Profit before income taxes	170	251
Income taxes - current	8	7
Refund of income taxes for prior periods	(257)	–
Income taxes - deferred	19	55
Total income taxes	(229)	62
Profit	400	188
Profit (loss) attributable to non-controlling interests	6	(1)
Profit attributable to owners of parent	393	190

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	400	188
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	169
Foreign currency translation adjustment	(832)	104
Remeasurements of defined benefit plans, net of tax	3	(0)
Total other comprehensive income	(893)	274
Comprehensive income	(493)	462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(480)	463
Comprehensive income attributable to non-controlling interests	(12)	(0)

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	170	251
Depreciation	389	409
Loss on retirement of property, plant and equipment	3	1
Loss (gain) on sales of property, plant and equipment	(1)	(0)
Increase (decrease) in provision	(309)	(300)
Increase (decrease) in net defined benefit liability	16	28
Interest and dividend income	(27)	(31)
Interest expenses	0	0
Share of (profit) loss of entities accounted for using equity method	(9)	3
Decrease (increase) in notes and accounts receivable - trade	735	(61)
Decrease (increase) in inventories	(138)	(21)
Increase (decrease) in notes and accounts payable - trade	(129)	(14)
Other, net	325	280
Subtotal	1,025	545
Interest and dividend income received	44	54
Interest expenses paid	(0)	(0)
Income taxes paid	(291)	(83)
Net cash provided by (used in) operating activities	778	515
Cash flows from investing activities		
Payments into time deposits	-	(0)
Proceeds from withdrawal of time deposits	16	-
Purchase of property, plant and equipment	(616)	(216)
Proceeds from sales of property, plant and equipment	1	2
Purchase of intangible assets	(49)	(32)
Other, net	4	1
Net cash provided by (used in) investing activities	(642)	(245)
Cash flows from financing activities		
Cash dividends paid	(151)	(202)
Dividends paid to non-controlling interests	(2)	(2)
Repayments of finance lease obligations	(0)	(0)
Net cash provided by (used in) financing activities	(154)	(204)
Effect of exchange rate change on cash and cash equivalents	(225)	34
Net increase (decrease) in cash and cash equivalents	(245)	100
Cash and cash equivalents at beginning of period	14,973	15,180
Cash and cash equivalents at end of period	14,727	15,280