

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 Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 8, 2018

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: February 8, 2018  
 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 nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	19,253	4.6	621	(22.5)	744	(18.8)	492	(49.7)
Nine months ended December 31, 2016	18,404	(12.9)	802	(49.7)	916	(46.1)	979	(21.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	22.57		–	
Nine months ended December 31, 2016	44.90		–	

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	45,352	39,583	86.3
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	–	7.50	–		
Year ending March 31, 2018 (Forecast)				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
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 nine months ended December 31, 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 December 31, 2017	22,948,003 shares	As of March 31, 2017	22,948,003 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2017	1,132,472 shares	As of March 31, 2017	1,132,432 shares
-------------------------	------------------	----------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	21,815,566 shares	Nine months ended December 31, 2016	21,815,667 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	15,370	16,030
Notes and accounts receivable - trade	6,475	6,992
Merchandise and finished goods	3,137	2,810
Work in process	625	717
Raw materials and supplies	1,253	1,454
Other	1,047	587
Allowance for doubtful accounts	(19)	(2)
Total current assets	27,890	28,591
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,286	4,978
Machinery, equipment and vehicles, net	2,948	2,615
Other, net	2,793	2,823
Total property, plant and equipment	11,028	10,418
Intangible assets	573	535
Investments and other assets		
Investment securities	3,916	5,404
Other	464	426
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,356	5,807
Total non-current assets	15,958	16,761
Total assets	43,848	45,352
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,687	1,647
Income taxes payable	95	130
Provision	320	58
Other	1,339	1,301
Total current liabilities	3,442	3,138
Non-current liabilities		
Net defined benefit liability	1,758	1,881
Other	490	749
Total non-current liabilities	2,249	2,630
Total liabilities	5,692	5,768

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,233	25,344
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	37,281	37,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	1,590
Foreign currency translation adjustment	(361)	248
Remeasurements of defined benefit plans	(78)	(70)
Total accumulated other comprehensive income	471	1,767
Non-controlling interests	404	424
Total net assets	38,156	39,583
Total liabilities and net assets	43,848	45,352

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	18,404	19,253
Cost of sales	11,774	12,649
Gross profit	6,630	6,603
Selling, general and administrative expenses	5,828	5,981
Operating profit	802	621
Non-operating income		
Interest income	26	28
Dividend income	33	40
Compensation income	–	41
Revenue of scraps	34	35
Share of profit of entities accounted for using equity method	41	7
Other	35	18
Total non-operating income	170	172
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	47	43
Other	6	4
Total non-operating expenses	55	48
Ordinary profit	916	744
Extraordinary income		
Gain on sales of non-current assets	11	1
Gain on sales of investment securities	25	–
Total extraordinary income	36	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	15	55
Total extraordinary losses	15	55
Profit before income taxes	937	690
Income taxes - current	34	154
Refund of income taxes for prior periods	(257)	–
Income taxes - deferred	163	38
Total income taxes	(58)	193
Profit	996	497
Profit attributable to non-controlling interests	16	5
Profit attributable to owners of parent	979	492

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	996	497
Other comprehensive income		
Valuation difference on available-for-sale securities	206	679
Foreign currency translation adjustment	102	626
Remeasurements of defined benefit plans, net of tax	10	8
Total other comprehensive income	319	1,313
Comprehensive income	1,316	1,811
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,344	1,789
Comprehensive income attributable to non-controlling interests	(28)	22

## Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	937	690
Depreciation	1,182	1,264
Loss (gain) on sales and retirement of property, plant and equipment	4	54
Increase (decrease) in provision	(271)	(279)
Increase (decrease) in net defined benefit liability	58	99
Interest and dividend income	(59)	(69)
Interest expenses	1	1
Share of (profit) loss of entities accounted for using equity method	(41)	(7)
Decrease (increase) in notes and accounts receivable - trade	418	(449)
Decrease (increase) in inventories	108	117
Increase (decrease) in notes and accounts payable - trade	(53)	(14)
Other, net	(83)	211
Subtotal	2,202	1,619
Interest and dividend income received	77	92
Interest expenses paid	(1)	(1)
Income taxes (paid) refund	(472)	153
Net cash provided by (used in) operating activities	1,805	1,864
Cash flows from investing activities		
Payments into time deposits	(0)	(0)
Purchase of investment securities	-	(509)
Purchase of property, plant and equipment	(850)	(504)
Proceeds from sales of property, plant and equipment	11	1
Purchase of intangible assets	(230)	(37)
Other, net	2	(3)
Net cash provided by (used in) investing activities	(1,068)	(1,054)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(326)	(381)
Dividends paid to non-controlling interests	(2)	(2)
Repayments of finance lease obligations	(1)	(0)
Net cash provided by (used in) financing activities	(330)	(384)
Effect of exchange rate change on cash and cash equivalents	(29)	226
Net increase (decrease) in cash and cash equivalents	377	651
Cash and cash equivalents at beginning of period	14,973	15,180
Cash and cash equivalents at end of period	15,350	15,831