

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, 2018
(Based on Japanese GAAP)**

May 15, 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 of ordinary general meeting of shareholders: June 21, 2018
 Scheduled date to file Securities Report: June 21, 2018
 Scheduled date to commence dividend payments: June 22, 2018
 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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	25,437	2.9	687	(25.6)	788	(22.9)	440	(60.6)
Year ended March 31, 2017	24,726	(12.1)	923	(56.6)	1,023	(53.0)	1,116	(4.4)

	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, 2018	20.18	–	1.2	1.8	2.7
Year ended March 31, 2017	51.16	–	3.0	2.3	3.7

(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, 2018	45,539	39,456	85.7	1,788.65
As of March 31, 2017	43,848	38,156	86.1	1,730.52

(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, 2018	2,760	(1,228)	(385)	16,465
Year ended March 31, 2017	2,947	(2,418)	(329)	15,180

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, 2017	–	7.50	–	10.00	17.50	381	34.2	1.0
Year ended March 31, 2018	–	7.50	–	7.50	15.00	327	74.3	0.9
Year ending March 31, 2019 (Forecast)	–	7.50	–	7.50	15.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	23,000	(9.6)	(300)	–	(200)	–	(1,700)	–	(77.93)

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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: No

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, 2018	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 March 31, 2018	1,132,552 shares	As of March 31, 2017	1,132,432 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2018	21,815,555 shares	Year ended March 31, 2017	21,815,643 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	15,370	16,668
Notes and accounts receivable - trade	6,475	6,830
Merchandise and finished goods	3,137	2,770
Work in process	625	687
Raw materials and supplies	1,253	1,450
Deferred tax assets	208	227
Prepaid expenses	259	168
Other	580	201
Allowance for doubtful accounts	(19)	(2)
Total current assets	27,890	29,002
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,270	15,652
Accumulated depreciation	(9,983)	(10,805)
Buildings and structures, net	5,286	4,846
Machinery, equipment and vehicles	17,694	17,908
Accumulated depreciation	(14,745)	(15,427)
Machinery, equipment and vehicles, net	2,948	2,481
Tools, furniture and fixtures	5,897	5,986
Accumulated depreciation	(5,487)	(5,603)
Tools, furniture and fixtures, net	409	383
Land	2,138	2,156
Leased assets	5	5
Accumulated depreciation	(1)	(2)
Leased assets, net	3	2
Construction in progress	240	229
Total property, plant and equipment	11,028	10,100
Intangible assets	573	532
Investments and other assets		
Investment securities	3,916	5,546
Deferred tax assets	203	122
Other	260	258
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,356	5,903
Total non-current assets	15,958	16,536
Total assets	43,848	45,539

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,687	1,588
Lease obligations	1	1
Accounts payable - other	801	638
Accrued expenses	419	427
Income taxes payable	95	238
Accrued consumption taxes	45	103
Provision for bonuses	267	254
Provision for directors' bonuses	53	47
Other	71	97
Total current liabilities	3,442	3,395
Non-current liabilities		
Lease obligations	3	2
Deferred tax liabilities	32	343
Net defined benefit liability	1,758	1,878
Other	455	462
Total non-current liabilities	2,249	2,686
Total liabilities	5,692	6,082
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,233	25,291
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	37,281	37,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	1,688
Foreign currency translation adjustment	(361)	62
Remeasurements of defined benefit plans	(78)	(70)
Total accumulated other comprehensive income	471	1,680
Non-controlling interests	404	436
Total net assets	38,156	39,456
Total liabilities and net assets	43,848	45,539

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	24,726	25,437
Cost of sales	15,865	16,754
Gross profit	8,861	8,682
Selling, general and administrative expenses	7,937	7,995
Operating profit	923	687
Non-operating income		
Interest income	35	40
Dividend income	33	40
Compensation income	–	41
Share of profit of entities accounted for using equity method	56	15
Revenue of scraps	40	47
Other	48	22
Total non-operating income	214	208
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	102	96
Other	10	8
Total non-operating expenses	114	107
Ordinary profit	1,023	788
Extraordinary income		
Gain on sales of non-current assets	12	1
Gain on sales of investment securities	25	–
Total extraordinary income	38	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	44	56
Total extraordinary losses	44	56
Profit before income taxes	1,017	733
Income taxes - current	77	250
Refund of income taxes for prior periods	(261)	–
Income taxes - deferred	60	33
Total income taxes	(123)	283
Profit	1,140	449
Profit attributable to non-controlling interests	24	9
Profit attributable to owners of parent	1,116	440

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,140	449
Other comprehensive income		
Valuation difference on available-for-sale securities	117	777
Foreign currency translation adjustment	225	449
Remeasurements of defined benefit plans, net of tax	(13)	8
Total other comprehensive income	329	1,235
Comprehensive income	1,469	1,684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,454	1,649
Comprehensive income attributable to non-controlling interests	15	34

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2018

(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	25,233	(1,056)	37,281
Changes of items during period					
Dividends of surplus			(381)		(381)
Profit attributable to owners of parent			440		440
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	58	(0)	58
Balance at end of current period	6,642	6,462	25,291	(1,056)	37,339

	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	911	(361)	(78)	471	404	38,156
Changes of items during period						
Dividends of surplus						(381)
Profit attributable to owners of parent						440
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	777	424	8	1,209	31	1,241
Total changes of items during period	777	424	8	1,209	31	1,300
Balance at end of current period	1,688	62	(70)	1,680	436	39,456

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,017	733
Depreciation	1,620	1,689
Increase (decrease) in allowance for doubtful accounts	(12)	(17)
Increase (decrease) in provision for bonuses	(12)	(13)
Increase (decrease) in provision for directors' bonuses	0	(5)
Increase (decrease) in net defined benefit liability	67	108
Interest and dividend income	(68)	(80)
Interest expenses	1	1
Foreign exchange losses (gains)	73	(8)
Share of loss (profit) of entities accounted for using equity method	(28)	(7)
Loss (gain) on sales and retirement of property, plant and equipment	31	55
Loss (gain) on sales of investment securities	(25)	–
Decrease (increase) in notes and accounts receivable - trade	838	(324)
Decrease (increase) in inventories	187	155
Decrease (increase) in other assets	(316)	120
Increase (decrease) in notes and accounts payable - trade	(81)	(50)
Increase (decrease) in other liabilities	107	174
Subtotal	3,401	2,532
Interest and dividend income received	62	95
Interest expenses paid	(1)	(1)
Income taxes (paid) refund	(515)	134
Net cash provided by (used in) operating activities	2,947	2,760
Cash flows from investing activities		
Payments into time deposits	(25)	(0)
Purchase of property, plant and equipment	(2,072)	(657)
Proceeds from sales of property, plant and equipment	13	1
Purchase of intangible assets	(381)	(60)
Purchase of investment securities	–	(509)
Proceeds from sales of investment securities	30	–
Other, net	15	(0)
Net cash provided by (used in) investing activities	(2,418)	(1,228)
Cash flows from financing activities		
Decrease(increase) in treasury stock	(0)	(0)
Cash dividends paid	(324)	(381)
Dividends paid to non-controlling interests	(2)	(2)
Repayments of finance lease obligations	(1)	(1)
Net cash provided by (used in) financing activities	(329)	(385)
Effect of exchange rate change on cash and cash equivalents	6	138
Net increase (decrease) in cash and cash equivalents	206	1,285
Cash and cash equivalents at beginning of period	14,973	15,180
Cash and cash equivalents at end of period	15,180	16,465