

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

August 9, 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: August 9, 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(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, 2018	5,665	(9.0)	(30)	–	56	(77.4)	6	(96.5)
Three months ended June 30, 2017	6,226	2.9	178	(42.5)	251	45.4	190	(51.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	0.31		–	
Three months ended June 30, 2017	8.73		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	44,998	39,404	86.6
As of March 31, 2018	45,312	39,456	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, 2018	–	7.50	–	7.50	15.00
Year ending March 31, 2019	–	–	–	–	–
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 three months ended June 30, 2018
 (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, 2018	22,948,003 shares	As of March 31, 2018	22,948,003 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	1,132,552 shares	As of March 31, 2018	1,132,552 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, 2018	21,815,451 shares	Three months ended June 30, 2017	21,815,571 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	16,668	16,792
Notes and accounts receivable - trade	6,830	6,111
Merchandise and finished goods	2,770	2,792
Work in process	687	726
Raw materials and supplies	1,450	1,386
Other	370	517
Allowance for doubtful accounts	(2)	(2)
Total current assets	28,775	28,324
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,846	4,699
Machinery, equipment and vehicles, net	2,481	2,286
Other, net	2,772	2,812
Total property, plant and equipment	10,100	9,798
Intangible assets	532	546
Investments and other assets		
Investment securities	5,546	5,976
Other	381	377
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	5,903	6,329
Total non-current assets	16,536	16,674
Total assets	45,312	44,998
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,588	1,482
Income taxes payable	238	35
Provision	301	6
Other	1,267	1,456
Total current liabilities	3,395	2,981
Non-current liabilities		
Net defined benefit liability	1,878	1,880
Other	580	732
Total non-current liabilities	2,459	2,612
Total liabilities	5,855	5,594

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,291	25,134
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	37,339	37,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,688	1,988
Foreign currency translation adjustment	62	(132)
Remeasurements of defined benefit plans	(70)	(66)
Total accumulated other comprehensive income	1,680	1,788
Non-controlling interests	436	433
Total net assets	39,456	39,404
Total liabilities and net assets	45,312	44,998

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, 2017	Three months ended June 30, 2018
Net sales	6,226	5,665
Cost of sales	4,059	3,825
Gross profit	2,166	1,839
Selling, general and administrative expenses	1,988	1,870
Operating profit (loss)	178	(30)
Non-operating income		
Interest income	8	10
Dividend income	23	32
Foreign exchange gains	–	37
Compensation income	41	–
Revenue of scraps	10	12
Other	5	3
Total non-operating income	90	96
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	11	–
Share of loss of entities accounted for using equity method	3	3
Depreciation	0	5
Other	0	0
Total non-operating expenses	16	9
Ordinary profit	251	56
Extraordinary income		
Gain on sales of non-current assets	0	–
Total extraordinary income	0	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	1
Total extraordinary losses	1	1
Profit before income taxes	251	55
Income taxes - current	7	22
Income taxes - deferred	55	21
Total income taxes	62	44
Profit	188	11
Profit (loss) attributable to non-controlling interests	(1)	4
Profit attributable to owners of parent	190	6

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	188	11
Other comprehensive income		
Valuation difference on available-for-sale securities	169	299
Foreign currency translation adjustment	104	(207)
Remeasurements of defined benefit plans, net of tax	(0)	3
Total other comprehensive income	274	95
Comprehensive income	462	107
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	463	109
Comprehensive income attributable to non-controlling interests	(0)	(1)

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	251	55
Depreciation	409	405
Loss on retirement of property, plant and equipment	1	1
Loss (gain) on sales of property, plant and equipment	(0)	–
Increase (decrease) in provision	(300)	(295)
Increase (decrease) in net defined benefit liability	28	23
Interest and dividend income	(31)	(42)
Interest expenses	0	0
Share of loss (profit) of entities accounted for using equity method	3	3
Decrease (increase) in notes and accounts receivable - trade	(61)	681
Decrease (increase) in inventories	(21)	(10)
Increase (decrease) in notes and accounts payable - trade	(14)	(107)
Other, net	280	(80)
Subtotal	545	634
Interest and dividend income received	54	49
Interest expenses paid	(0)	(0)
Income taxes paid	(83)	(183)
Net cash provided by (used in) operating activities	515	499
Cash flows from investing activities		
Payments into time deposits	(0)	–
Proceeds from withdrawal of time deposits	–	34
Purchase of property, plant and equipment	(216)	(136)
Proceeds from sales of property, plant and equipment	2	2
Purchase of intangible assets	(32)	(15)
Other, net	1	(0)
Net cash provided by (used in) investing activities	(245)	(114)
Cash flows from financing activities		
Cash dividends paid	(202)	(152)
Dividends paid to non-controlling interests	(2)	(1)
Repayments of finance lease obligations	(0)	(3)
Net cash provided by (used in) financing activities	(204)	(157)
Effect of exchange rate change on cash and cash equivalents	34	(66)
Net increase (decrease) in cash and cash equivalents	100	161
Cash and cash equivalents at beginning of period	15,180	16,465
Cash and cash equivalents at end of period	15,280	16,626