

Translation

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

November 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: November 8, 2018
 Scheduled date to commence dividend payments: December 3, 2018
 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 six months ended September 30, 2018 (from April 1, 2018 to September 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	%
Six months ended September 30, 2018	11,627	(7.5)	62	(81.9)	186	(58.2)	(897)	–
Six months ended September 30, 2017	12,567	2.3	342	(40.0)	444	(5.0)	313	(50.7)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	(41.75)	–
Six months ended September 30, 2017	14.37	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	45,039	38,408	84.3
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	Yen	Yen	Yen	Yen
Year ended March 31, 2018	–	7.50	–	7.50	15.00
Year ending March 31, 2019	–	7.50	–	–	–
Year ending March 31, 2019 (Forecast)	–	–	–	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)	–	(500)	–	(23.74)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2018	2,332,593 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)

Six months ended September 30, 2018	21,507,247 shares	Six months ended September 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	16,668	16,549
Notes and accounts receivable - trade	6,830	6,170
Merchandise and finished goods	2,770	2,941
Work in process	687	715
Raw materials and supplies	1,450	1,376
Other	370	508
Allowance for doubtful accounts	(2)	(2)
Total current assets	28,775	28,260
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,846	4,657
Machinery, equipment and vehicles, net	2,481	2,278
Other, net	2,772	2,813
Total property, plant and equipment	10,100	9,750
Intangible assets	532	334
Investments and other assets		
Investment securities	5,546	6,312
Other	381	404
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	5,903	6,693
Total non-current assets	16,536	16,778
Total assets	45,312	45,039
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,588	1,431
Income taxes payable	238	75
Provision	301	241
Other	1,267	2,517
Total current liabilities	3,395	4,265
Non-current liabilities		
Net defined benefit liability	1,878	1,930
Other	580	434
Total non-current liabilities	2,459	2,365
Total liabilities	5,855	6,630

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,291	24,230
Treasury shares	(1,056)	(1,917)
Total shareholders' equity	37,339	35,417
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,688	2,229
Foreign currency translation adjustment	62	395
Remeasurements of defined benefit plans	(70)	(63)
Total accumulated other comprehensive income	1,680	2,561
Non-controlling interests	436	429
Total net assets	39,456	38,408
Total liabilities and net assets	45,312	45,039

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	12,567	11,627
Cost of sales	8,214	7,743
Gross profit	4,353	3,883
Selling, general and administrative expenses	4,011	3,821
Operating profit	342	62
Non-operating income		
Interest income	18	22
Dividend income	26	38
Compensation income	41	–
Foreign exchange gains	–	44
Revenue of scraps	22	27
Other	12	6
Total non-operating income	122	138
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	16	–
Share of loss of entities accounted for using equity method	0	1
Depreciation	0	10
Other	1	1
Total non-operating expenses	20	14
Ordinary profit	444	186
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	–	36
Total extraordinary income	0	36
Extraordinary losses		
Loss on sales and retirement of non-current assets	18	6
Restructuring expenses	–	1,440
Total extraordinary losses	18	1,446
Profit (loss) before income taxes	427	(1,223)
Income taxes - current	107	46
Income taxes - deferred	5	(378)
Total income taxes	112	(332)
Profit (loss)	314	(891)
Profit attributable to non-controlling interests	1	6
Profit (loss) attributable to owners of parent	313	(897)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit or Loss	314	(891)
Other comprehensive income		
Valuation difference on available-for-sale securities	83	540
Remeasurements of defined benefit plans, net of tax	3	6
Foreign currency translation adjustment	394	315
Total other comprehensive income	481	862
Comprehensive income	796	(28)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	788	(23)
Comprehensive income attributable to non-controlling interests	7	(5)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	427	(1,223)
Depreciation	833	809
Impairment loss	–	219
Loss (gain) on sales and retirement of property, plant and equipment	17	6
Increase (decrease) in provision	(36)	(60)
Increase (decrease) in net defined benefit liability	64	39
Interest and dividend income	(45)	(60)
Interest expenses	0	0
Loss (gain) on sales of investment securities	–	(36)
Share of loss (profit) of entities accounted for using equity method	0	1
Decrease (increase) in notes and accounts receivable - trade	(271)	714
Decrease (increase) in inventories	(35)	(63)
Increase (decrease) in notes and accounts payable - trade	(75)	(186)
Other, net	258	1,050
Subtotal	1,138	1,210
Interest and dividend income received	67	64
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	183	(196)
Net cash provided by (used in) operating activities	1,388	1,078
Cash flows from investing activities		
Payments into time deposits	(0)	(41)
Proceeds from withdrawal of time deposits	–	34
Purchase of investment securities	(509)	–
Proceeds from sales of investment securities	–	48
Purchase of property, plant and equipment	(420)	(325)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible assets	(21)	(57)
Other, net	1	0
Net cash provided by (used in) investing activities	(948)	(338)
Cash flows from financing activities		
Decrease (increase) in treasury shares	–	(860)
Cash dividends paid	(217)	(163)
Dividends paid to non-controlling interests	(2)	(1)
Repayments of finance lease obligations	(0)	(3)
Net cash provided by (used in) financing activities	(221)	(1,028)
Effect of exchange rate change on cash and cash equivalents	144	170
Net increase (decrease) in cash and cash equivalents	363	(118)
Cash and cash equivalents at beginning of period	15,180	16,465
Cash and cash equivalents at end of period	15,544	16,347