

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, 2018 (Based on Japanese GAAP)

February 7, 2019

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 7, 2019
 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, 2018 (from April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	18,032	(6.3)	453	(27.1)	598	(19.7)	228	(53.5)
Nine months ended December 31, 2017	19,253	4.6	621	(22.5)	744	(18.8)	492	(49.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	10.79		–	
Nine months ended December 31, 2017	22.57		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	43,753	37,734	86.1
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	–	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	23,500	(7.6)	400	(41.8)	500	(36.6)	0	–	0.00

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2018	22,948,003 shares	As of March 31, 2018	22,948,003 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2018	2,332,593 shares	As of March 31, 2018	1,132,552 shares
-------------------------	------------------	----------------------	------------------

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

Nine months ended December 31, 2018	21,208,887 shares	Nine months ended December 31, 2017	21,815,566 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	16,668	18,212
Notes and accounts receivable - trade	6,830	6,460
Merchandise and finished goods	2,770	2,662
Work in process	687	662
Raw materials and supplies	1,450	1,272
Other	370	601
Allowance for doubtful accounts	(2)	(1)
Total current assets	28,775	29,870
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,846	4,495
Machinery, equipment and vehicles, net	2,481	2,082
Other, net	2,772	2,868
Total property, plant and equipment	10,100	9,446
Intangible assets	532	310
Investments and other assets		
Investment securities	5,546	3,603
Other	381	545
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	5,903	4,125
Total non-current assets	16,536	13,883
Total assets	45,312	43,753
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,588	1,348
Income taxes payable	238	44
Provision	301	19
Other	1,267	2,340
Total current liabilities	3,395	3,753
Non-current liabilities		
Net defined benefit liability	1,878	1,846
Other	580	418
Total non-current liabilities	2,459	2,265
Total liabilities	5,855	6,019

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,794
Retained earnings	25,291	25,202
Treasury shares	(1,056)	(1,917)
Total shareholders' equity	37,339	36,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,688	937
Foreign currency translation adjustment	62	130
Remeasurements of defined benefit plans	(70)	(100)
Total accumulated other comprehensive income	1,680	966
Non-controlling interests	436	45
Total net assets	39,456	37,734
Total liabilities and net assets	45,312	43,753

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, 2017	Nine months ended December 31, 2018
Net sales	19,253	18,032
Cost of sales	12,649	11,889
Gross profit	6,603	6,142
Selling, general and administrative expenses	5,981	5,689
Operating profit	621	453
Non-operating income		
Interest income	28	33
Dividend income	40	60
Compensation income	41	–
Foreign exchange gains	–	13
Revenue of scraps	35	40
Share of profit of entities accounted for using equity method	7	6
Other	18	10
Total non-operating income	172	165
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	43	–
Depreciation	–	16
Other	4	2
Total non-operating expenses	48	19
Ordinary profit	744	598
Extraordinary income		
Gain on sales of non-current assets	1	53
Gain on sales of investment securities	–	1,245
Total extraordinary income	1	1,299
Extraordinary losses		
Loss on sales and retirement of non-current assets	55	7
Restructuring expenses	–	1,477
Total extraordinary losses	55	1,485
Profit before income taxes	690	412
Income taxes - current	154	135
Income taxes - deferred	38	35
Total income taxes	193	170
Profit	497	241
Profit attributable to non-controlling interests	5	12
Profit attributable to owners of parent	492	228

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	497	241
Other comprehensive income		
Valuation difference on available-for-sale securities	679	(751)
Foreign currency translation adjustment	626	62
Remeasurements of defined benefit plans, net of tax	8	(30)
Total other comprehensive income	1,313	(719)
Comprehensive income	1,811	(478)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,789	(496)
Comprehensive income attributable to non-controlling interests	22	18

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	690	412
Depreciation	1,264	1,212
Impairment loss	–	219
Loss (gain) on sales and retirement of property, plant and equipment	54	(46)
Increase (decrease) in provision	(279)	(282)
Increase (decrease) in net defined benefit liability	99	(60)
Interest and dividend income	(69)	(94)
Interest expenses	1	1
Loss (gain) on sales of investment securities	–	(1,245)
Share of loss (profit) of entities accounted for using equity method	(7)	(6)
Decrease (increase) in notes and accounts receivable - trade	(449)	386
Decrease (increase) in inventories	117	329
Increase (decrease) in notes and accounts payable - trade	(14)	(258)
Other, net	211	761
Subtotal	1,619	1,330
Interest and dividend income received	92	98
Interest expenses paid	(1)	(1)
Income taxes (paid) refund	153	(290)
Net cash provided by (used in) operating activities	1,864	1,137
Cash flows from investing activities		
Payments into time deposits	(0)	(50)
Proceeds from withdrawal of time deposits	–	42
Purchase of investment securities	(509)	–
Proceeds from sales of investment securities	–	2,114
Purchase of property, plant and equipment	(504)	(501)
Proceeds from sales of property, plant and equipment	1	61
Purchase of intangible assets	(37)	(57)
Other, net	(3)	6
Net cash provided by (used in) investing activities	(1,054)	1,617
Cash flows from financing activities		
Decrease (increase) in treasury shares	(0)	(860)
Cash dividends paid	(381)	(317)
Dividends paid to non-controlling interests	(2)	(1)
Repayments of finance lease obligations	(0)	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(69)
Net cash provided by (used in) financing activities	(384)	(1,251)
Effect of exchange rate change on cash and cash equivalents	226	47
Net increase (decrease) in cash and cash equivalents	651	1,550
Cash and cash equivalents at beginning of period	15,180	16,465
Cash and cash equivalents at end of period	15,831	18,016