

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

May 15, 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 of ordinary general meeting of shareholders: June 20, 2019
 Scheduled date to file Securities Report: June 20, 2019
 Scheduled date to commence dividend payments: June 21, 2019
 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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	24,104	(5.2)	598	(13.0)	787	(0.2)	186	(57.5)
Year ended March 31, 2018	25,437	2.9	687	(25.6)	788	(22.9)	440	(60.6)

	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, 2019	8.87	–	0.5	1.8	2.5
Year ended March 31, 2018	20.18	–	1.2	1.8	2.7

(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, 2019	44,190	38,368	86.7	1,858.40
As of March 31, 2018	45,312	39,456	86.1	1,788.65

(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, 2019	1,392	1,718	(1,252)	18,472
Year ended March 31, 2018	2,760	(1,228)	(385)	16,465

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, 2018	–	7.50	–	7.50	15.00	327	74.3	0.9
Year ended March 31, 2019	–	7.50	–	7.50	15.00	309	169.1	0.8
Year ending March 31, 2020 (Forecast)	–	7.50	–	7.50	15.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	22,200	(7.9)	300	(49.9)	400	(49.2)	300	60.5	14.55

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(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, 2019	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 March 31, 2019	2,332,720 shares	As of March 31, 2018	1,132,552 shares
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Average number of shares during the period

Year ended March 31, 2019	21,062,533 shares	Year ended March 31, 2018	21,815,555 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	16,668	18,506
Notes and accounts receivable - trade	6,830	6,314
Merchandise and finished goods	2,770	2,669
Work in process	687	735
Raw materials and supplies	1,450	1,208
Prepaid expenses	168	163
Other	201	413
Allowance for doubtful accounts	(2)	(1)
Total current assets	28,775	30,010
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,652	15,681
Accumulated depreciation	(10,805)	(11,263)
Buildings and structures, net	4,846	4,417
Machinery, equipment and vehicles	17,908	17,782
Accumulated depreciation	(15,427)	(15,737)
Machinery, equipment and vehicles, net	2,481	2,044
Tools, furniture and fixtures	5,986	5,398
Accumulated depreciation	(5,603)	(5,029)
Tools, furniture and fixtures, net	383	368
Land	2,156	2,166
Leased assets	5	—
Accumulated depreciation	(2)	—
Leased assets, net	2	—
Construction in progress	229	232
Total property, plant and equipment	10,100	9,230
Intangible assets	532	312
Investments and other assets		
Investment securities	5,546	4,270
Deferred tax assets	122	148
Other	258	242
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	5,903	4,637
Total non-current assets	16,536	14,179
Total assets	45,312	44,190

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,588	1,636
Lease obligations	1	—
Accounts payable - other	638	933
Accrued expenses	427	536
Income taxes payable	238	119
Accrued consumption taxes	103	36
Provision for bonuses	254	208
Provision for bonuses for directors (and other officers)	47	16
Other	97	157
Total current liabilities	3,395	3,643
Non-current liabilities		
Lease obligations	2	—
Deferred tax liabilities	116	—
Retirement benefit liability	1,878	1,759
Other	462	418
Total non-current liabilities	2,459	2,177
Total liabilities	5,855	5,821
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,773
Retained earnings	25,291	25,160
Treasury shares	(1,056)	(1,917)
Total shareholders' equity	37,339	36,658
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,688	1,403
Foreign currency translation adjustment	62	352
Remeasurements of defined benefit plans	(70)	(103)
Total accumulated other comprehensive income	1,680	1,652
Non-controlling interests	436	57
Total net assets	39,456	38,368
Total liabilities and net assets	45,312	44,190

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	25,437	24,104
Cost of sales	16,754	15,896
Gross profit	8,682	8,208
Selling, general and administrative expenses	7,995	7,609
Operating profit	687	598
Non-operating income		
Interest income	40	49
Dividend income	40	60
Compensation income	41	–
Foreign exchange gains	–	22
Share of profit of entities accounted for using equity method	15	13
Revenue of scraps	47	52
Other	22	16
Total non-operating income	208	215
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	96	–
Depreciation	5	21
Other	3	2
Total non-operating expenses	107	25
Ordinary profit	788	787
Extraordinary income		
Gain on sales of non-current assets	1	58
Gain on sales of investment securities	–	1,245
Total extraordinary income	1	1,303
Extraordinary losses		
Loss on sales and retirement of non-current assets	56	10
Restructuring expenses	–	1,671
Total extraordinary losses	56	1,681
Profit before income taxes	733	409
Income taxes - current	250	238
Income taxes - deferred	33	(18)
Total income taxes	283	220
Profit	449	188
Profit attributable to non-controlling interests	9	1
Profit attributable to owners of parent	440	186

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	449	188
Other comprehensive income		
Valuation difference on available-for-sale securities	777	(285)
Foreign currency translation adjustment	449	285
Remeasurements of defined benefit plans, net of tax	8	(32)
Total other comprehensive income	1,235	(32)
Comprehensive income	1,684	156
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,649	158
Comprehensive income attributable to non-controlling interests	34	(2)

Consolidated statements of changes in equity

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)
Purchase of shares of consolidated subsidiaries					
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)
Purchase of shares of consolidated subsidiaries						
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

Fiscal year ended March 31, 2019

(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	25,291	(1,056)	37,339
Changes of items during period					
Dividends of surplus			(318)		(318)
Profit attributable to owners of parent			186		186
Purchase of treasury shares				(860)	(860)
Purchase of shares of consolidated subsidiaries		311			311
Net changes of items other than shareholders' equity					
Total changes of items during period	–	311	(131)	(860)	(680)
Balance at end of current period	6,642	6,773	25,160	(1,917)	36,658

	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	1,688	62	(70)	1,680	436	39,456
Changes of items during period						
Dividends of surplus						(318)
Profit attributable to owners of parent						186
Purchase of treasury shares						(860)
Purchase of shares of consolidated subsidiaries						311
Net changes of items other than shareholders' equity	(285)	289	(32)	(28)	(379)	(407)
Total changes of items during period	(285)	289	(32)	(28)	(379)	(1,088)
Balance at end of current period	1,403	352	(103)	1,652	57	38,368

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	733	409
Depreciation	1,689	1,631
Impairment loss	–	219
Increase (decrease) in allowance for doubtful accounts	(17)	(0)
Increase (decrease) in provision for bonuses	(13)	(45)
Increase (decrease) in provision for bonuses for directors (and other officers)	(5)	(31)
Increase (decrease) in retirement benefit liability	108	(176)
Interest and dividend income	(80)	(109)
Interest expenses	1	1
Foreign exchange losses (gains)	(8)	(20)
Share of loss (profit) of entities accounted for using equity method	(7)	(6)
Loss (gain) on sales and retirement of property, plant and equipment	55	(47)
Loss (gain) on sales of investment securities	–	(1,245)
Decrease (increase) in notes and accounts receivable - trade	(324)	563
Decrease (increase) in inventories	155	344
Decrease (increase) in other assets	120	(167)
Increase (decrease) in notes and accounts payable - trade	(50)	22
Increase (decrease) in other liabilities	174	299
Subtotal	2,532	1,639
Interest and dividend income received	95	108
Interest expenses paid	(1)	(1)
Income taxes (paid) refund	134	(352)
Net cash provided by (used in) operating activities	2,760	1,392
Cash flows from investing activities		
Payments into time deposits	(0)	(50)
Proceeds from withdrawal of time deposits	–	217
Purchase of property, plant and equipment	(657)	(634)
Proceeds from sales of property, plant and equipment	1	146
Purchase of intangible assets	(60)	(85)
Purchase of investment securities	(509)	–
Proceeds from sales of investment securities	–	2,120
Other, net	(0)	5
Net cash provided by (used in) investing activities	(1,228)	1,718
Cash flows from financing activities		
Decrease(increase) in treasury stock	(0)	(860)
Cash dividends paid	(381)	(317)
Dividends paid to non-controlling interests	(2)	(1)
Repayments of finance lease obligations	(1)	(3)
Other, net	–	(69)
Net cash provided by (used in) financing activities	(385)	(1,252)
Effect of exchange rate change on cash and cash equivalents	138	148
Net increase (decrease) in cash and cash equivalents	1,285	2,007
Cash and cash equivalents at beginning of period	15,180	16,465
Cash and cash equivalents at end of period	16,465	18,472