

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

May 11, 2018

Company name: Fumakilla Limited
 Stock exchange listing: Tokyo
 Stock code: 4998 URL <http://www.fumakilla.co.jp>
 Representative: President Kazuaki Oshimo
 Director, General Manager, Administrative
 Inquiries: Division Takanori Sasaki TEL 0829-55-2112
 Scheduled date of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to file Securities Report: June 29, 2018
 Scheduled date to commence dividend payments: June 29, 2018
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(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	47,740	12.7	2,527	11.0	2,688	11.7	1,735	25.0
Year ended March 31, 2017	42,362	16.7	2,277	22.1	2,407	22.0	1,387	22.7

	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	123.10	–	13.4	6.7	5.3
Year ended March 31, 2017	99.83	–	16.0	7.1	5.4

(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	44,678	17,664	37.7	1,022.40
As of March 31, 2017	36,131	9,731	24.8	644.78

(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	1,444	(1,084)	4,116	6,438
Year ended March 31, 2017	1,180	(1,028)	(629)	1,952

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	–	–	–	11.00	11.00	305	22.0	3.5
Year ended March 31, 2018	–	–	–	26.00	26.00	428	21.1	3.1
Year ending March 31, 2019 (Forecast)	–	–	–	26.00	26.00		22.9	

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
Six months ending September 30, 2018	25,400	2.4	900	(46.4)	1,000	(41.3)	600	(42.3)	36.40
Full year	48,600	1.8	2,830	12.0	3,000	11.6	1,870	7.8	113.45

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: Yes

Changes in accounting estimates: Yes

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	16,490,000 shares	As of March 31, 2017	16,490,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	6,382 shares	As of March 31, 2017	2,589,361 shares
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Average number of shares during the period

Year ended March 31, 2018	14,097,544 shares	Year ended March 31, 2017	13,901,715 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	2,733,287	7,074,816
Notes and accounts receivable - trade	10,381,583	12,112,711
Electronically recorded monetary claims - operating	89,039	259,592
Merchandise and finished goods	6,327,598	6,691,863
Work in process	872,943	925,916
Raw materials and supplies	2,095,558	2,082,243
Deferred tax assets	622,294	652,760
Other	1,133,384	1,178,906
Allowance for doubtful accounts	(1,195)	(1,311)
Total current assets	24,254,494	30,977,499
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,638,149	5,737,922
Accumulated depreciation	(3,817,854)	(3,971,512)
Buildings and structures, net	1,820,295	1,766,410
Machinery, equipment and vehicles	9,404,114	10,072,584
Accumulated depreciation	(7,748,001)	(8,143,341)
Machinery, equipment and vehicles, net	1,656,112	1,929,243
Tools, furniture and fixtures	3,062,061	3,241,202
Accumulated depreciation	(2,846,360)	(2,987,841)
Tools, furniture and fixtures, net	215,700	253,360
Land	692,575	787,355
Leased assets	190,833	191,390
Accumulated depreciation	(130,967)	(159,158)
Leased assets, net	59,866	32,232
Construction in progress	148,134	155,643
Total property, plant and equipment	4,592,684	4,924,245
Intangible assets		
Goodwill	912,561	901,646
Trademark right	838,475	790,470
Other	515,823	512,887
Total intangible assets	2,266,860	2,205,005
Investments and other assets		
Investment securities	4,554,294	6,077,465
Deferred tax assets	107,528	138,887
Net defined benefit asset	96,938	108,553
Other	405,395	429,699
Allowance for investment loss	–	(41,752)
Allowance for doubtful accounts	(147,175)	(141,530)
Total investments and other assets	5,016,981	6,571,322
Total non-current assets	11,876,526	13,700,573
Total assets	36,131,021	44,678,072

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,496,026	4,863,771
Electronically recorded obligations - operating	2,504,568	2,422,715
Short-term loans payable	10,681,302	10,103,522
Current portion of long-term loans payable	314,875	1,250,000
Lease obligations	28,786	16,503
Accounts payable - other	3,168,166	3,418,228
Income taxes payable	296,332	398,465
Provision for bonuses	552,072	573,546
Provision for directors' bonuses	43,800	68,000
Provision for sales rebates	83,561	373,213
Provision for sales returns	580,869	670,301
Other	296,756	253,763
Total current liabilities	23,047,117	24,412,031
Non-current liabilities		
Long-term loans payable	1,250,000	–
Lease obligations	22,409	8,842
Deferred tax liabilities	1,187,725	1,563,543
Net defined benefit liability	339,478	423,094
Provision for directors' retirement benefits	492,250	545,510
Asset retirement obligations	9,331	9,508
Other	51,558	51,533
Total non-current liabilities	3,352,753	2,602,033
Total liabilities	26,399,871	27,014,064
Net assets		
Shareholders' equity		
Capital stock	3,698,680	3,698,680
Capital surplus	1,034,223	4,815,309
Retained earnings	4,464,774	5,894,312
Treasury shares	(1,573,052)	(4,162)
Total shareholders' equity	7,624,625	14,404,138
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,522,683	2,560,863
Foreign currency translation adjustment	(132,497)	(47,134)
Remeasurements of defined benefit plans	(52,025)	(64,960)
Total accumulated other comprehensive income	1,338,160	2,448,768
Non-controlling interests	768,364	811,100
Total net assets	9,731,150	17,664,008
Total liabilities and net assets	36,131,021	44,678,072

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

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	42,362,764	47,740,096
Cost of sales	28,500,255	31,688,756
Gross profit	13,862,509	16,051,340
Reversal of provision for sales returns	465,200	578,441
Provision for sales returns	578,441	668,605
Gross profit - net	13,749,268	15,961,175
Selling, general and administrative expenses		
Transportation expenses	1,834,288	2,091,605
Advertising expenses	2,561,883	3,109,896
Promotion expenses	1,587,304	2,090,289
Traveling and transportation expenses	382,377	421,778
Provision of allowance for doubtful accounts	966	9,074
Salaries and allowances	1,617,277	1,838,213
Bonuses	97,765	98,682
Provision for bonuses	345,972	365,010
Provision for directors' bonuses	43,800	68,000
Retirement benefit expenses	109,156	130,359
Provision for directors' retirement benefits	57,877	52,826
Depreciation	239,510	241,022
Other	2,593,907	2,917,275
Total selling, general and administrative expenses	11,472,089	13,434,035
Operating profit	2,277,179	2,527,140
Non-operating income		
Interest income	39,494	31,474
Dividend income	81,485	92,682
Real estate rent	34,870	39,835
Technical advisory fee	63,603	64,762
Other	88,944	111,429
Total non-operating income	308,398	340,185
Non-operating expenses		
Interest expenses	62,346	59,995
Sales discounts	89,472	99,530
Foreign exchange losses	–	9,572
Taxes and dues	22,708	–
Other	4,029	9,529
Total non-operating expenses	178,556	178,626
Ordinary profit	2,407,020	2,688,698

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Extraordinary income		
Gain on sales of non-current assets	6,001	4,790
Insurance income	–	8,361
Total extraordinary income	6,001	13,151
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,922	694
Loss on valuation of shares of subsidiaries and associates	–	25,772
Loss on disaster	–	28,760
Provision of allowance for investment loss	–	41,752
Total extraordinary losses	1,922	96,979
Profit before income taxes	2,411,099	2,604,870
Income taxes - current	747,893	897,493
Income taxes - deferred	25,671	(146,706)
Total income taxes	773,565	750,787
Profit	1,637,534	1,854,083
Profit attributable to non-controlling interests	249,681	118,731
Profit attributable to owners of parent	1,387,852	1,735,351

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,637,534	1,854,083
Other comprehensive income		
Valuation difference on available-for-sale securities	691,864	1,038,179
Foreign currency translation adjustment	(338,105)	28,800
Remeasurements of defined benefit plans, net of tax	617	(13,980)
Total other comprehensive income	354,376	1,053,000
Comprehensive income	1,991,911	2,907,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,910,560	2,821,222
Comprehensive income attributable to non-controlling interests	81,351	85,860

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,698,680	2,105,908	3,354,975	(1,570,329)	7,589,234
Changes of items during period					
Dividends of surplus			(278,052)		(278,052)
Profit attributable to owners of parent			1,387,852		1,387,852
Purchase of treasury shares				(2,722)	(2,722)
Change in ownership interest of parent due to transactions with non-controlling interests		(1,071,685)			(1,071,685)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(1,071,685)	1,109,799	(2,722)	35,391
Balance at end of current period	3,698,680	1,034,223	4,464,774	(1,573,052)	7,624,625

	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	830,818	34,678	(50,044)	815,453	1,840,791	10,245,478
Changes of items during period						
Dividends of surplus						(278,052)
Profit attributable to owners of parent						1,387,852
Purchase of treasury shares						(2,722)
Change in ownership interest of parent due to transactions with non-controlling interests						(1,071,685)
Net changes of items other than shareholders' equity	691,864	(167,176)	(1,981)	522,707	(1,072,426)	(549,719)
Total changes of items during period	691,864	(167,176)	(1,981)	522,707	(1,072,426)	(514,327)
Balance at end of current period	1,522,683	(132,497)	(52,025)	1,338,160	768,364	9,731,150

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,698,680	1,034,223	4,464,774	(1,573,052)	7,624,625
Changes of items during period					
Dividends of surplus			(305,814)		(305,814)
Profit attributable to owners of parent			1,735,351		1,735,351
Purchase of treasury shares				(7,160)	(7,160)
Disposal of treasury shares		3,483,660		1,576,050	5,059,710
Change in ownership interest of parent due to transactions with non-controlling interests		297,425			297,425
Net changes of items other than shareholders' equity					
Total changes of items during period	-	3,781,085	1,429,537	1,568,890	6,779,513
Balance at end of current period	3,698,680	4,815,309	5,894,312	(4,162)	14,404,138

	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	1,522,683	(132,497)	(52,025)	1,338,160	768,364	9,731,150
Changes of items during period						
Dividends of surplus						(305,814)
Profit attributable to owners of parent						1,735,351
Purchase of treasury shares						(7,160)
Disposal of treasury shares						5,059,710
Change in ownership interest of parent due to transactions with non-controlling interests						297,425
Net changes of items other than shareholders' equity	1,038,179	85,363	(12,935)	1,110,608	42,736	1,153,345
Total changes of items during period	1,038,179	85,363	(12,935)	1,110,608	42,736	7,932,858
Balance at end of current period	2,560,863	(47,134)	(64,960)	2,448,768	811,100	17,664,008

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,411,099	2,604,870
Depreciation	739,158	856,658
Amortization of goodwill	57,890	61,078
Increase (decrease) in net defined benefit liability	61,015	102,348
Increase (decrease) in allowance for doubtful accounts	21,952	13,449
Increase (decrease) in other provision	244,241	472,799
Increase (decrease) in allowance for investment loss	–	41,752
Interest and dividend income	(120,980)	(124,157)
Interest expenses	62,346	59,995
Foreign exchange losses (gains)	(1,317)	9,572
Loss on valuation of shares of subsidiaries and associates	–	25,772
Loss (gain) on sales and retirement of property, plant and equipment	(4,078)	(4,095)
Decrease (increase) in notes and accounts receivable - trade	(1,124,476)	(1,958,603)
Loss on disaster	–	28,760
Insurance income	–	(8,361)
Decrease (increase) in inventories	(2,809,781)	(400,157)
Increase (decrease) in notes and accounts payable - trade	1,752,391	307,539
Other, net	545,465	111,162
Subtotal	1,834,925	2,200,384
Interest and dividend income received	120,980	124,157
Interest expenses paid	(61,637)	(57,409)
Income taxes (paid) refund	(702,528)	(831,304)
Other, net	(10,954)	8,361
Net cash provided by (used in) operating activities	1,180,785	1,444,189
Cash flows from investing activities		
Net decrease (increase) in time deposits	(53,671)	155,478
Purchase of property, plant and equipment	(955,543)	(1,180,431)
Proceeds from sales of property, plant and equipment	20,163	5,032
Purchase of intangible assets	(3,750)	(3,910)
Purchase of investment securities	(2,296)	(2,383)
Purchase of shares of subsidiaries	(22,175)	(58,625)
Other, net	(11,130)	–
Net cash provided by (used in) investing activities	(1,028,402)	(1,084,840)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,286,703	(564,937)
Repayments of long-term loans payable	(372,950)	(312,742)
Repayments of lease obligations	(37,159)	(25,884)
Purchase of treasury shares	(2,722)	(7,170)
Proceeds from disposal of treasury shares	–	5,054,905
Proceeds from share issuance to non-controlling shareholders	–	470,753
Cash dividends paid	(278,052)	(305,814)
Dividends paid to non-controlling interests	(115,714)	(87,388)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,109,357)	(105,111)
Net cash provided by (used in) financing activities	(629,255)	4,116,610
Effect of exchange rate change on cash and cash equivalents	(97,448)	9,689
Net increase (decrease) in cash and cash equivalents	(574,320)	4,485,649
Cash and cash equivalents at beginning of period	2,527,203	1,952,883
Cash and cash equivalents at end of period	1,952,883	6,438,532