

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**

May 12, 2017

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 29, 2017
 Scheduled date to file Securities Report: June 30, 2017
 Scheduled date to commence dividend payments: June 30, 2017
 Preparation of supplementary material on financial results: Yes
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	42,362	16.7	2,277	22.1	2,407	22.0	1,387	22.7
Year ended March 31, 2016	36,288	8.9	1,865	28.9	1,973	26.3	1,131	32.8

	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, 2017	49.92	–	16.0	7.1	5.4
Year ended March 31, 2016	40.68	–	13.5	6.4	5.1

(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, 2017	36,131	9,731	24.8	322.39
As of March 31, 2016	31,626	10,245	26.6	302.27

(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, 2017	1,180	(1,028)	(629)	1,952
Year ended March 31, 2016	(292)	(875)	1,402	2,527

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, 2016	–	–	–	10.00	10.00	278	24.6	3.3
Year ended March 31, 2017	–	–	–	11.00	11.00	305	22.0	3.5
Year ending March 31, 2018 (Forecast)	–	–	–	12.00	12.00		22.5	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017	25,200	13.4	1,810	(12.8)	1,800	(14.0)	1,090	(16.3)	39.20
Full year	46,000	8.6	2,460	8.0	2,600	8.0	1,480	6.6	53.23

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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: Yes

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, 2017	32,980,000 shares	As of March 31, 2016	32,980,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	5,178,723 shares	As of March 31, 2016	5,174,709 shares
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Average number of shares during the period

Year ended March 31, 2017	27,803,431 shares	Year ended March 31, 2016	27,807,105 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	3,196,933	2,733,287
Notes and accounts receivable - trade	9,454,463	10,381,583
Electronically recorded monetary claims - operating	37,850	89,039
Merchandise and finished goods	4,164,456	6,327,598
Work in process	882,458	872,943
Raw materials and supplies	1,542,656	2,095,558
Deferred tax assets	617,831	622,294
Other	1,126,455	1,133,384
Allowance for doubtful accounts	(1,177)	(1,195)
Total current assets	21,021,928	24,254,494
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,554,859	5,638,149
Accumulated depreciation	(3,706,919)	(3,817,854)
Buildings and structures, net	1,847,940	1,820,295
Machinery, equipment and vehicles	8,766,990	9,404,114
Accumulated depreciation	(7,563,259)	(7,748,001)
Machinery, equipment and vehicles, net	1,203,731	1,656,112
Tools, furniture and fixtures	3,079,493	3,062,061
Accumulated depreciation	(2,928,995)	(2,846,360)
Tools, furniture and fixtures, net	150,498	215,700
Land	696,090	692,575
Leased assets	196,802	190,833
Accumulated depreciation	(101,406)	(130,967)
Leased assets, net	95,396	59,866
Construction in progress	138,921	148,134
Total property, plant and equipment	4,132,578	4,592,684
Intangible assets		
Goodwill	1,040,129	912,561
Trademark right	956,979	838,475
Other	556,407	515,823
Total intangible assets	2,553,516	2,266,860
Investments and other assets		
Investment securities	3,536,974	4,554,294
Deferred tax assets	108,776	107,528
Net defined benefit asset	47,572	96,938
Other	404,742	405,395
Allowance for doubtful accounts	(179,320)	(147,175)
Total investments and other assets	3,918,745	5,016,981
Total non-current assets	10,604,840	11,876,526
Total assets	31,626,769	36,131,021

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,651,135	4,496,026
Electronically recorded obligations - operating	1,675,745	2,504,568
Short-term loans payable	8,412,504	10,681,302
Current portion of long-term loans payable	373,823	314,875
Lease obligations	37,231	28,786
Accounts payable - other	2,505,107	3,168,166
Income taxes payable	257,071	296,332
Provision for bonuses	470,781	552,072
Provision for directors' bonuses	34,300	43,800
Provision for sales rebates	77,094	83,561
Provision for sales returns	468,473	580,869
Other	94,572	296,756
Total current liabilities	18,057,843	23,047,117
Non-current liabilities		
Long-term loans payable	1,567,374	1,250,000
Lease obligations	51,213	22,409
Deferred tax liabilities	875,017	1,187,725
Net defined benefit liability	282,660	339,478
Provision for directors' retirement benefits	469,652	492,250
Asset retirement obligations	9,158	9,331
Other	68,370	51,558
Total non-current liabilities	3,323,447	3,352,753
Total liabilities	21,381,291	26,399,871
Net assets		
Shareholders' equity		
Capital stock	3,698,680	3,698,680
Capital surplus	2,105,908	1,034,223
Retained earnings	3,354,975	4,464,774
Treasury shares	(1,570,329)	(1,573,052)
Total shareholders' equity	7,589,234	7,624,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	830,818	1,522,683
Foreign currency translation adjustment	34,678	(132,497)
Remeasurements of defined benefit plans	(50,044)	(52,025)
Total accumulated other comprehensive income	815,453	1,338,160
Non-controlling interests	1,840,791	768,364
Total net assets	10,245,478	9,731,150
Total liabilities and net assets	31,626,769	36,131,021

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

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	36,288,365	42,362,764
Cost of sales	24,877,794	28,500,255
Gross profit	11,410,571	13,862,509
Reversal of provision for sales returns	498,345	465,200
Provision for sales returns	465,200	578,441
Gross profit - net	11,443,716	13,749,268
Selling, general and administrative expenses		
Transportation expenses	1,497,837	1,834,288
Advertising expenses	1,757,191	2,561,883
Promotion expenses	1,169,328	1,587,304
Traveling and transportation expenses	346,539	382,377
Provision of allowance for doubtful accounts	1,557	966
Salaries and allowances	1,576,369	1,617,277
Bonuses	91,465	97,765
Provision for bonuses	285,322	345,972
Provision for directors' bonuses	34,300	43,800
Retirement benefit expenses	105,936	109,156
Provision for directors' retirement benefits	42,980	57,877
Depreciation	246,854	239,510
Other	2,422,671	2,593,907
Total selling, general and administrative expenses	9,578,355	11,472,089
Operating profit	1,865,361	2,277,179
Non-operating income		
Interest income	68,867	39,494
Dividend income	77,180	81,485
Real estate rent	46,360	34,870
Technical advisory fee	74,399	63,603
Other	90,039	88,944
Total non-operating income	356,846	308,398
Non-operating expenses		
Interest expenses	74,634	62,346
Sales discounts	78,741	89,472
Foreign exchange losses	14,605	–
Taxes and dues	58,004	22,708
Other	22,987	4,029
Total non-operating expenses	248,972	178,556
Ordinary profit	1,973,235	2,407,020

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Extraordinary income		
Gain on sales of non-current assets	12,785	6,001
Total extraordinary income	12,785	6,001
Extraordinary losses		
Loss on sales and retirement of non-current assets	2,299	1,922
Total extraordinary losses	2,299	1,922
Profit before income taxes	1,983,722	2,411,099
Income taxes - current	635,472	747,893
Income taxes - deferred	(25,320)	25,671
Total income taxes	610,151	773,565
Profit	1,373,570	1,637,534
Profit attributable to non-controlling interests	242,294	249,681
Profit attributable to owners of parent	1,131,275	1,387,852

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	1,373,570	1,637,534
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,236)	691,864
Foreign currency translation adjustment	(948,812)	(338,105)
Remeasurements of defined benefit plans, net of tax	(28,081)	617
Total other comprehensive income	(1,005,131)	354,376
Comprehensive income	368,439	1,991,911
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	322,055	1,910,560
Comprehensive income attributable to non-controlling interests	46,383	81,351

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(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	2,105,774	2,446,171	(1,568,006)	6,682,619
Changes of items during period					
Dividends of surplus			(222,472)		(222,472)
Profit attributable to owners of parent			1,131,275		1,131,275
Purchase of treasury shares				(2,443)	(2,443)
Disposal of treasury shares		134		119	253
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	134	908,803	(2,323)	906,614
Balance at end of current period	3,698,680	2,105,908	3,354,975	(1,570,329)	7,589,234

	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	859,055	786,357	(20,739)	1,624,673	1,919,512	10,226,805
Changes of items during period						
Dividends of surplus						(222,472)
Profit attributable to owners of parent						1,131,275
Purchase of treasury shares						(2,443)
Disposal of treasury shares						253
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes of items other than shareholders' equity	(28,236)	(751,679)	(29,304)	(809,220)	(78,721)	(887,941)
Total changes of items during period	(28,236)	(751,679)	(29,304)	(809,220)	(78,721)	18,672
Balance at end of current period	830,818	34,678	(50,044)	815,453	1,840,791	10,245,478

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

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,983,722	2,411,099
Depreciation	782,073	739,158
Amortization of goodwill	62,050	57,890
Increase (decrease) in net defined benefit liability	19,430	61,015
Increase (decrease) in allowance for doubtful accounts	11,547	21,952
Increase (decrease) in other provision	56,616	244,241
Interest and dividend income	(146,048)	(120,980)
Interest expenses	74,634	62,346
Foreign exchange losses (gains)	14,605	(1,317)
Loss (gain) on sales and retirement of property, plant and equipment	(10,486)	(4,078)
Decrease (increase) in notes and accounts receivable - trade	(1,513,133)	(1,124,476)
Decrease (increase) in inventories	(1,369,317)	(2,809,781)
Increase (decrease) in notes and accounts payable - trade	305,038	1,752,391
Other, net	(77,140)	545,465
Subtotal	193,591	1,834,925
Interest and dividend income received	146,048	120,980
Interest expenses paid	(75,344)	(61,637)
Income taxes (paid) refund	(556,137)	(702,528)
Other, net	(620)	(10,954)
Net cash provided by (used in) operating activities	(292,462)	1,180,785
Cash flows from investing activities		
Net decrease (increase) in time deposits	(66,903)	(53,671)
Purchase of property, plant and equipment	(744,082)	(955,543)
Proceeds from sales of property, plant and equipment	14,639	20,163
Purchase of intangible assets	(960)	(3,750)
Purchase of investment securities	(58,200)	(2,296)
Purchase of shares of subsidiaries	–	(22,175)
Other, net	(19,578)	(11,130)
Net cash provided by (used in) investing activities	(875,084)	(1,028,402)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,093,309	2,286,703
Repayments of long-term loans payable	(301,229)	(372,950)
Repayments of lease obligations	(41,723)	(37,159)
Purchase of treasury shares	(2,443)	(2,722)
Cash dividends paid	(222,472)	(278,052)
Dividends paid to non-controlling interests	(123,226)	(115,714)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(2,109,357)
Other, net	253	–
Net cash provided by (used in) financing activities	1,402,468	(629,255)
Effect of exchange rate change on cash and cash equivalents	(232,214)	(97,448)
Net increase (decrease) in cash and cash equivalents	2,706	(574,320)
Cash and cash equivalents at beginning of period	2,524,497	2,527,203
Cash and cash equivalents at end of period	2,527,203	1,952,883