

Translation

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

May 13, 2019

Company name: Fumakilla Limited
 Stock exchange listing: Tokyo
 Stock code: 4998 URL <https://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 27, 2019
 Scheduled date to file Securities Report: June 28, 2019
 Scheduled date to commence dividend payments: June 28, 2019
 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, 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	41,243	(13.6)	1,136	(55.1)	1,332	(50.4)	693	(60.0)
Year ended March 31, 2018	47,740	12.7	2,527	11.0	2,688	11.7	1,735	25.0

	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	42.09	–	4.2	3.1	2.8
Year ended March 31, 2018	123.10	–	13.4	6.8	5.3

(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	42,180	17,028	38.3	980.45
As of March 31, 2018	43,985	17,664	38.3	1,022.40

(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	(1,322)	(1,765)	1,234	4,457
Year ended March 31, 2018	1,444	(1,084)	4,116	6,438

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	–	–	–	26.00	26.00	428	21.1	3.1
Year ended March 31, 2019	–	–	–	26.00	26.00	428	61.8	2.6
Year ending March 31, 2020 (Forecast)	–	–	–	26.00	26.00		43.3	

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
Six months ending September 30, 2019	24,100	9.4	920	774.7	870	662.9	360	549.4	21.84
Full year	43,700	6.0	1,850	62.8	1,910	43.3	990	42.7	60.06

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: 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, 2019	16,490,000 shares	As of March 31, 2018	16,490,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	7,061 shares	As of March 31, 2018	6,382 shares
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Average number of shares during the period

Year ended March 31, 2019	16,483,239 shares	Year ended March 31, 2018	14,097,544 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	7,074,816	5,087,032
Notes and accounts receivable - trade	12,112,711	12,463,230
Electronically recorded monetary claims - operating	259,592	133,383
Merchandise and finished goods	6,691,863	6,893,484
Work in process	925,916	1,051,239
Raw materials and supplies	2,082,243	2,016,164
Other	1,178,906	1,201,437
Allowance for doubtful accounts	(1,311)	(1,404)
Total current assets	30,324,738	28,844,567
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,737,922	5,760,774
Accumulated depreciation	(3,971,512)	(4,058,010)
Buildings and structures, net	1,766,410	1,702,764
Machinery, equipment and vehicles	10,072,584	10,239,816
Accumulated depreciation	(8,143,341)	(8,397,821)
Machinery, equipment and vehicles, net	1,929,243	1,841,995
Tools, furniture and fixtures	3,241,202	3,314,541
Accumulated depreciation	(2,987,841)	(3,059,081)
Tools, furniture and fixtures, net	253,360	255,459
Land	787,355	785,086
Leased assets	191,390	120,324
Accumulated depreciation	(159,158)	(93,337)
Leased assets, net	32,232	26,987
Construction in progress	155,643	205,732
Total property, plant and equipment	4,924,245	4,818,025
Intangible assets		
Goodwill	901,646	799,597
Trademark right	790,470	677,200
Other	512,887	579,157
Total intangible assets	2,205,005	2,055,956
Investments and other assets		
Investment securities	6,077,465	6,040,345
Deferred tax assets	98,735	111,342
Retirement benefit asset	108,553	89,888
Other	429,699	408,260
Allowance for investment loss	(41,752)	(44,990)
Allowance for doubtful accounts	(141,530)	(142,629)
Total investments and other assets	6,531,170	6,462,217
Total non-current assets	13,660,420	13,336,198
Total assets	43,985,159	42,180,766

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,863,771	3,944,914
Electronically recorded obligations - operating	2,422,715	2,221,516
Short-term loans payable	10,103,522	13,135,785
Current portion of long-term loans payable	1,250,000	–
Lease obligations	16,503	9,317
Accounts payable - other	3,418,228	2,403,847
Income taxes payable	398,465	172,430
Provision for bonuses	573,546	415,264
Provision for bonuses for directors (and other officers)	68,000	–
Provision for sales rebates	373,213	438,741
Provision for sales returns	670,301	651,095
Other	253,763	185,701
Total current liabilities	24,412,031	23,578,614
Non-current liabilities		
Lease obligations	8,842	17,670
Deferred tax liabilities	870,630	603,525
Retirement benefit liability	423,094	402,685
Provision for retirement benefits for directors (and other officers)	545,510	488,771
Asset retirement obligations	9,508	9,687
Other	51,533	51,472
Total non-current liabilities	1,909,119	1,573,812
Total liabilities	26,321,151	25,152,427
Net assets		
Shareholders' equity		
Capital stock	3,698,680	3,698,680
Capital surplus	4,815,309	4,797,103
Retained earnings	5,894,312	6,159,494
Treasury shares	(4,162)	(5,379)
Total shareholders' equity	14,404,138	14,649,898
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,560,863	2,059,882
Foreign currency translation adjustment	(47,134)	(508,004)
Remeasurements of defined benefit plans	(64,960)	(41,098)
Total accumulated other comprehensive income	2,448,768	1,510,779
Non-controlling interests	811,100	867,661
Total net assets	17,664,008	17,028,338
Total liabilities and net assets	43,985,159	42,180,766

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

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	47,740,096	41,243,165
Cost of sales	31,688,756	29,128,148
Gross profit	16,051,340	12,115,016
Reversal of provision for sales returns	578,441	650,715
Provision for sales returns	668,605	630,794
Gross profit - net	15,961,175	12,134,937
Selling, general and administrative expenses		
Transportation expenses	2,091,605	2,135,155
Advertising expenses	3,109,896	2,117,672
Promotion expenses	2,090,289	761,659
Traveling and transportation expenses	421,778	461,565
Provision of allowance for doubtful accounts	9,074	2,087
Salaries and allowances	1,838,213	1,896,006
Bonuses	98,682	83,043
Provision for bonuses	365,010	242,323
Provision for bonuses for directors (and other officers)	68,000	–
Retirement benefit expenses	130,359	155,690
Provision for retirement benefits for directors (and other officers)	52,826	50,746
Depreciation	241,022	230,335
Other	2,917,275	2,862,604
Total selling, general and administrative expenses	13,434,035	10,998,889
Operating profit	2,527,140	1,136,047
Non-operating income		
Interest income	31,474	34,550
Dividend income	92,682	105,027
Real estate rent	39,835	41,221
Technical advisory fee	64,762	67,042
Other	111,429	100,807
Total non-operating income	340,185	348,649
Non-operating expenses		
Interest expenses	59,995	39,452
Sales discounts	99,530	82,407
Foreign exchange losses	9,572	13,943
Other	9,529	16,410
Total non-operating expenses	178,626	152,213
Ordinary profit	2,688,698	1,332,482

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Extraordinary income		
Gain on sales of non-current assets	4,790	3,201
Gain on sales of investment securities	–	9,477
Insurance income	8,361	28,170
Total extraordinary income	13,151	40,850
Extraordinary losses		
Loss on sales and retirement of non-current assets	694	64
Loss on valuation of shares of subsidiaries and associates	25,772	–
Retirement benefits for directors (and other officers)	–	28,400
Expenses related to advanced repayment of loans	–	29,777
Loss on disaster	28,760	–
Provision of allowance for investment loss	41,752	4,671
Total extraordinary losses	96,979	62,913
Profit before income taxes	2,604,870	1,310,419
Income taxes - current	897,493	490,398
Income taxes - deferred	(146,706)	(69,488)
Total income taxes	750,787	420,909
Profit	1,854,083	889,509
Profit attributable to non-controlling interests	118,731	195,753
Profit attributable to owners of parent	1,735,351	693,756

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	1,854,083	889,509
Other comprehensive income		
Valuation difference on available-for-sale securities	1,038,179	(500,980)
Foreign currency translation adjustment	28,800	(503,643)
Remeasurements of defined benefit plans, net of tax	(13,980)	30,148
Total other comprehensive income	1,053,000	(974,476)
Comprehensive income	2,907,083	(84,966)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,821,222	(244,232)
Comprehensive income attributable to non-controlling interests	85,860	159,266

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2019

(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	4,815,309	5,894,312	(4,162)	14,404,138
Changes of items during period					
Dividends of surplus			(428,574)		(428,574)
Profit attributable to owners of parent			693,756		693,756
Purchase of treasury shares				(1,217)	(1,217)
Change in ownership interest of parent due to transactions with non-controlling interests		(18,205)			(18,205)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(18,205)	265,182	(1,217)	245,759
Balance at end of current period	3,698,680	4,797,103	6,159,494	(5,379)	14,649,898

	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	2,560,863	(47,134)	(64,960)	2,448,768	811,100	17,664,008
Changes of items during period						
Dividends of surplus						(428,574)
Profit attributable to owners of parent						693,756
Purchase of treasury shares						(1,217)
Change in ownership interest of parent due to transactions with non-controlling interests						(18,205)
Net changes of items other than shareholders' equity	(500,980)	(460,870)	23,861	(937,989)	56,560	(881,429)
Total changes of items during period	(500,980)	(460,870)	23,861	(937,989)	56,560	(635,669)
Balance at end of current period	2,059,882	(508,004)	(41,098)	1,510,779	867,661	17,028,338

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,604,870	1,310,419
Depreciation	856,658	871,809
Amortization of goodwill	61,078	58,103
Increase (decrease) in retirement benefit liability	102,348	14,511
Increase (decrease) in allowance for doubtful accounts	13,449	6,316
Increase (decrease) in other provision	472,799	(218,047)
Increase (decrease) in allowance for investment loss	41,752	3,237
Interest and dividend income	(124,157)	(139,578)
Interest expenses	59,995	39,452
Foreign exchange losses (gains)	9,572	(20,150)
Loss on valuation of shares of subsidiaries and associates	25,772	–
Loss (gain) on sales of investment securities	–	(9,477)
Loss (gain) on sales and retirement of property, plant and equipment	(4,095)	(3,136)
Retirement benefits for directors (and other officers)	–	28,400
Expenses related to advanced repayment of loans	–	29,777
Decrease (increase) in notes and accounts receivable - trade	(1,958,603)	(464,627)
Loss on disaster	28,760	–
Insurance income	(8,361)	(28,170)
Decrease (increase) in inventories	(400,157)	(420,224)
Increase (decrease) in notes and accounts payable - trade	307,539	(1,010,967)
Increase (decrease) in accounts payable - other	2,558	(575,959)
Other, net	108,604	(213,901)
Subtotal	2,200,384	(742,214)
Interest and dividend income received	124,157	139,578
Proceeds from insurance income	8,361	28,170
Interest expenses paid	(57,409)	(44,201)
Payments for retirement benefits for directors (and other officers)	–	(28,400)
Payments related to advanced repayment of loans	–	(29,777)
Income taxes (paid) refund	(831,304)	(645,492)
Net cash provided by (used in) operating activities	1,444,189	(1,322,336)
Cash flows from investing activities		
Net decrease (increase) in time deposits	155,478	(9,995)
Purchase of property, plant and equipment	(1,180,431)	(972,141)
Proceeds from sales of property, plant and equipment	5,032	5,228
Purchase of intangible assets	(3,910)	(112,737)
Purchase of investment securities	(2,383)	(2,475)
Proceeds from sales of investment securities	–	30,985
Purchase of shares of subsidiaries	(58,625)	(693,535)
Other, net	–	(10,912)
Net cash provided by (used in) investing activities	(1,084,840)	(1,765,582)

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(564,937)	3,055,726
Repayments of long-term loans payable	(312,742)	(1,250,000)
Repayments of lease obligations	(25,884)	(21,498)
Purchase of treasury shares	(7,170)	(1,217)
Proceeds from disposal of treasury shares	5,054,905	–
Proceeds from share issuance to non-controlling shareholders	470,753	–
Cash dividends paid	(305,814)	(428,574)
Dividends paid to non-controlling interests	(87,388)	(97,476)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(105,111)	(22,347)
Net cash provided by (used in) financing activities	4,116,610	1,234,611
Effect of exchange rate change on cash and cash equivalents	9,689	(127,855)
Net increase (decrease) in cash and cash equivalents	4,485,649	(1,981,163)
Cash and cash equivalents at beginning of period	1,952,883	6,438,532
Cash and cash equivalents at end of period	6,438,532	4,457,369