

Non-Consolidated Financial Results for the Year Ended June 30, 2017 [Japanese GAAP]

August 10, 2017

Company name: KeePer Technical Laboratory Co., Ltd.
 Stock exchange listings: Tokyo Stock Exchange, Nagoya Stock Exchange
 Code number: 6036
 URL: <http://www.keepercoating.jp/corp/>
 Representative: Yoshimichi Tani, Representative Director and President
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 Phone: +81 562-45-5258
 Scheduled date of general shareholders' meeting: September 28, 2017
 Scheduled date to commence dividend payments: September 29, 2017
 Scheduled date to file securities report: September 29, 2017
 Supplementary documents for financial results: Yes
 Financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Financial Results for the Year Ended June 30, 2017 (July 1, 2016 to June 30, 2017)

(1) Operating Results (% figures indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended June 30, 2017	6,999	6.3	1,015	24.5	1,017	25.1	649	22.7
Year ended June 30, 2016	6,586	13.7	815	26.0	813	30.3	528	47.9

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended June 30, 2017	45.67	45.45	17.0	18.5	14.5
Year ended June 30, 2016	38.23	37.47	16.8	16.9	12.4

Note: The Company executed a 2-for-1 stock split of common shares on October 1, 2015 and executed a 2-for-1 stock split on July 1, 2017. Net income per share and diluted net income per share are calculated assuming the said stock splits were conducted at the beginning of the previous fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2017	5,789	3,918	67.7	278.18
As of June 30, 2016	5,222	3,712	71.1	253.91

Reference: Equity: As of June 30, 2017: ¥3,918 million
 As of June 30, 2016: ¥3,712 million

Note: The Company executed a 2-for-1 stock split of common shares on July 1, 2017. Net assets per share is calculated assuming the said stock split was conducted at the beginning of the previous fiscal year.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended June 30, 2017	975	(894)	(308)	1,468
Year ended June 30, 2016	468	(515)	350	1,695

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio	Net asset payout ratio
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended June 30, 2016	—	3.00	—	9.00	12.00	86	15.7	2.7
Year ended June 30, 2017	—	0.00	—	19.00	19.00	133	20.8	3.6
Year ending June 30, 2018 (forecast)	—	0.00	—	10.00	10.00		20.0	

Notes: 1. Breakdown of dividend on December 31, 2015: Commemorative dividend of ¥3.0

2. The Company executed a 2-for-1 stock split of common shares on July 1, 2017. Dividends per share for the year ended June 30, 2016 and the year ended June 30, 2017 are those before this stock split was conducted.

3. Financial Results Forecast for the Year Ending June 30, 2018 (July 1, 2017 to June 30, 2018)

(% figures indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending December 31, 2017	4,149	9.3	772	12.0	772	12.1	486	15.3	34.56
Year ending June 30, 2018	7,784	11.2	1,100	8.4	1,102	8.4	703	8.4	49.97

Note: The Company executed a 2-for-1 stock split of common shares on July 1, 2017. Net income per share are calculated by the number of shares issued after this stock split was conducted.

Notes:

(1) Changes in accounting policies, changes in accounting estimates and restatements

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|--|------|
| 1) Changes in accounting policies due to the revision of accounting standards: | None |
| 2) Changes in accounting policies other than 1): | None |
| 3) Changes in accounting estimates: | Yes |
| 4) Restatements: | None |

(2) Number of shares issued (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock):

June 30, 2017: 14,086,020 shares

June 30, 2016: 14,619,800 shares

2) Number of shares of treasury stock issued and outstanding at the end of the period:

June 30, 2017: 78 shares

June 30, 2016: 180 shares

3) Average number of shares during the period:

June 30, 2017: 14,211,345 shares

June 30, 2016: 13,834,398 shares

Note: The Company executed a 2-for-1 stock split of common shares on October 1, 2015 and executed a 2-for-1 stock split on July 1, 2017. The number of shares issued (common stock) is calculated assuming the said stock splits were conducted at the beginning of the previous fiscal year.

This financial results is not subject to the audit procedure.

Explanation of the proper use of financial results forecast and other notes

(Caution concerning forward-looking statements)

The forecasts and future projections contained herein have been prepared on the basis of rational decisions given the information available as of the date of announcement of this document. These forecasts do not represent a commitment by the Company, and actual performance may differ substantially from forecasts for a variety of reasons.

Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of June 30, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	1,695,654	1,468,608
Notes receivable - trade	154,949	163,880
Accounts receivable - trade	580,357	574,381
Merchandise	415,695	505,188
Supplies	26,415	26,687
Prepaid expenses	109,703	99,369
Deferred tax assets	23,712	36,372
Other	13,380	7,900
Allowance for doubtful accounts	(823)	(520)
Total current assets	3,019,046	2,881,868
Non-current assets		
Property, plant and equipment		
Buildings, net	1,052,840	1,472,507
Structures, net	91,788	103,836
Machinery and equipment, net	83,406	74,774
Vehicles, net	32,381	24,670
Tools, furniture and fixtures, net	69,715	96,889
Land	459,729	459,729
Construction in progress	405	31,091
Total plant, property and equipment	1,790,268	2,263,500
Intangible assets		
Goodwill	1,951	650
Software	25,291	41,990
Other	25,037	26,246
Total Intangible assets	52,280	68,887
Investments and other assets		
Investment securities	15,440	16,360
Long-term prepaid expenses	16,299	36,750
Lease and guarantee deposits	146,102	227,423
Construction assistance fund receivables	42,866	158,545
Insurance funds	13,907	13,499
Deferred tax assets	105,992	122,790
Other	20,030	20
Total investments and other assets	360,638	575,389
Total non-current assets	2,203,186	2,907,777
Total assets	5,222,232	5,789,645

(Thousands of yen)

	As of June 30, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable—trade	155,755	200,036
Current portion of long-term loans payable	180,096	381,277
Accounts payable—other	143,627	157,051
Income taxes payable	197,040	218,023
Accrued expenses	85,168	142,635
Provision for bonuses	16,691	19,432
Other	48,598	51,771
Total current liabilities	826,978	1,170,226
Non-current liabilities		
Long-term loans payable	295,916	229,585
Provision for retirement benefits	124,873	164,424
Provision for directors' retirement benefits	213,335	227,967
Asset retirement obligations	45,075	74,933
Other	4,043	4,043
Total non-current liabilities	683,244	700,953
Total liabilities	1,510,222	1,871,180
Net assets		
Shareholders' equity		
Capital stock	1,344,189	1,345,163
Capital surplus	1,007,224	1,007,224
Retained earnings	1,360,363	1,565,121
Treasury shares	(144)	(61)
Total shareholders' equity	3,711,633	3,917,447
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	376	1,017
Total valuation and translation adjustments	376	1,017
Total net assets	3,712,009	3,918,465
Total liabilities and net assets	5,222,232	5,789,645

(2) Statements of Income

(Thousands of yen)

	Year ended June 30, 2016	Year ended June 30, 2017
Net sales		
Net sales of goods	4,335,617	4,419,404
Service sales	2,250,897	2,579,953
Total net sales	6,586,515	6,999,357
Cost of sales		
Cost of goods sold		
Beginning goods	314,790	415,695
Cost of purchased goods	2,159,735	2,092,739
Total	2,474,525	2,508,435
Ending goods	415,695	505,188
Total cost of sales	2,058,829	2,003,247
Gross profit	4,527,685	4,996,110
Selling, general and administrative expenses		
Directors' compensations	228,897	220,130
Salaries and allowances	1,151,500	1,255,967
Bonuses	171,329	222,591
Retirement benefit expenses	32,653	41,199
Provision for bonuses	16,691	19,432
Provision for directors' retirement benefits	15,368	14,632
Legal welfare expenses	206,210	230,729
Welfare expenses	18,132	21,123
Traveling and transportation expenses	166,245	160,618
Communication expenses	31,809	34,133
Depreciation	155,934	167,010
Rent expenses	343,521	414,078
Insurance expenses	9,340	8,699
Utilities expenses	87,599	90,893
Promotion expenses	63,899	66,172
Supplies expenses	82,733	99,072
Taxes and dues	40,039	61,183
Experiment and research expenses	25,600	25,824
Freightage and packing expenses	122,976	127,293
Stationery expenses	11,997	10,627
Advertising expenses	441,352	381,154
Commission fee and provision for point card certificates	2,521	—
Commission fee	49,080	57,180
Provision of allowance for doubtful accounts	(114)	(61)
Vehicle expenses	62,553	58,786
Business consignment expenses	68,623	87,300
Lease fee	8,197	6,061
Amortization of goodwill	1,301	1,301
Other	95,995	97,599
Total selling, general and administrative expenses	3,711,990	3,980,736
Operating income	815,695	1,015,373

(Thousands of yen)

	Year ended June 30, 2016	Year ended June 30, 2017
Non-operating income		
Interest income	634	578
Dividend income	1,056	360
Foreign exchange gains	3,988	—
Commission fee	1,661	5,509
Compensation income	2,387	—
Insurance premiums refunded cancellation	18,406	—
Other	6,047	1,856
Total non-operating income	34,181	8,305
Non-operating expenses		
Interest expenses	6,389	5,527
Foreign exchange losses	—	339
Loss on valuation of derivatives	934	—
Going public expenses	28,081	—
Other	947	389
Total non-operating expenses	36,352	6,256
Ordinary income	813,524	1,017,422
Extraordinary income		
Gain on sales of non-current assets	1,658	2,794
Gain on sales of investment securities	3,331	—
Total extraordinary income	4,989	2,794
Extraordinary losses		
Loss on sales and retirement of non-current assets	5,407	34,636
Retirement benefit expenses	—	12,783
Impairment loss	—	16,248
Loss on store closings	—	5,295
Total extraordinary losses	5,407	68,964
Income before income taxes	813,106	951,252
Income taxes—current	288,487	331,941
Income taxes—deferred	(4,325)	(29,737)
Income taxes	284,161	302,204
Net income	528,944	649,048

(3) Statements of Cash Flows

(Thousands of yen)

	Year ended June 30, 2016	Year ended June 30, 2017
Cash flows from operating activities		
Income before income taxes	813,106	951,252
Depreciation	155,934	167,010
Impairment loss	—	16,248
Increase (decrease) in allowance for doubtful accounts	(577)	(302)
Increase (decrease) in provision for point card certificates	(5,598)	—
Increase (decrease) in provision for retirement benefits	24,937	39,550
Increase (decrease) in provision for directors' retirement benefits	15,368	14,632
Interest and dividend income	(1,690)	(939)
Foreign exchange losses (gains)	4,397	(153)
Loss (gain) on valuation of derivatives	934	—
Surrender value of insurance	(18,406)	—
Interest expenses	6,389	5,527
Loss (gain) on sales of non-current assets	3,749	31,842
Loss on store closings	—	5,295
Decrease (increase) in notes and accounts receivable—trade	(27,938)	(2,954)
Decrease (increase) in inventories	(102,230)	(89,764)
Increase (decrease) in notes and accounts payable—trade	(36,621)	44,281
Decrease (increase) in prepaid expenses	(17,019)	10,377
Increase (decrease) in accounts payable—other	(144,177)	20,960
Increase (decrease) in accrued expenses	(10,502)	57,478
Other	25,837	37,024
Subtotal	685,890	1,307,367
Interest and dividend income received	1,780	939
Interest expenses paid	(6,282)	(5,583)
Proceeds from insurance income	18,406	—
Income taxes paid	(231,212)	(327,030)
Net cash provided by (used in) operating activities	468,582	975,693
Cash flows from investing activities		
Purchase of property, plant and equipment	(462,082)	(661,842)
Proceeds from sales of property, plant and equipment	15,546	14,152
Purchase of intangible assets	(25,007)	(32,105)
Proceeds from sales of investment securities	18,174	—
Collection of loans receivable	396	315
Payments for lease and guarantee deposits	(44,359)	(89,787)
Proceeds from collection of lease and guarantee deposits	1,635	8,465
Payments of construction assistance fund receivables	(20,000)	(104,372)
Other	189	(29,334)
Net cash provided by (used in) investing activities	(515,507)	(894,509)

	Year ended June 30, 2016	Year ended June 30, 2017
Cash flows from financing activities		
Proceeds from long-term loans payable	—	478,000
Repayments of long-term loans payable	(246,856)	(343,150)
Proceeds from issuance of common stock	610,160	—
Proceeds from exercise of share options	34,660	974
Purchase of treasury shares	—	(378,419)
Cash dividends paid	(46,945)	(65,788)
Other	(144)	—
Net cash provided by (used in) financing activities	350,875	(308,383)
Effect of exchange rate change on cash and cash equivalents	(4,397)	153
Net increase (decrease) in cash and cash equivalents	299,552	(227,045)
Cash and cash equivalents at beginning of period	1,396,102	1,695,654
Cash and cash equivalents at end of period	1,695,654	1,468,608