

# **Summary of Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2018**

**KeePer Technical Laboratory Co., Ltd.**

November 29, 2017



KeePer Technical Laboratory Co., Ltd.  
(Stock code: 6036) Industry category:  
Services

## Making a new car-wash culture in Japan

High-quality car wash and coating that appeal to the strong sense of aesthetics inherent among Japanese are part of the car beautification business spreading across Japan. Making cars more beautiful provides customers throughout Japan with happiness that we all share.

We will create a unique car wash culture in Japan with happy workplaces that instill pride at all shops throughout Japan involved in the car beautification business.

Simultaneously realizing customer satisfaction (CS) and employee satisfaction (ES).



## Profit and Loss

Unit: Millions of yen

		Three months ended September 30, 2016	Sales ratio	Three months ended September 30, 2017	Sales ratio	YoY increase/ decrease	YoY increase/ decrease (%)
Net sales		1,735		<b>1,750</b>		<b>14</b>	0.8%
	KeePer products, etc. Related business	1,160	66.9%	<b>1,058</b>	60.5%	<b>(102)</b>	(8.8%)
	KeePer LABO Managed business	575	33.1%	<b>691</b>	39.5%	<b>116</b>	20.3%
Operating income		245	14.2%	<b>209</b>	12.0%	<b>(36)</b>	(14.8%)
Ordinary income		247	14.3%	<b>209</b>	12.0%	<b>(38)</b>	(15.3%)
Net income		155	9.0%	<b>133</b>	7.6%	<b>(22)</b>	(14.5%)

# First Quarter Operating Results



During the 1st quarter of the fiscal period (July 1, 2017 to September 30, 2017), the Japanese economy continued to drift toward a gradual recovery due to good corporate performance and improving employment. However, unstable international surroundings and impact of fluctuating oil prices still kept uncertainties in overseas economies, prolonging unpredictable conditions with respect to future developments.

Within this environment, the Company committed to further improving and raising to new heights the quality of KeePer coating provided to users and placed the highest importance on enhancing KeePer brand branding efforts aimed at realizing future developments.

However, during this quarter, weather conditions were terribly bad in July and August, and in particular, we had unprecedentedly successive rainy days in August across Japan.

As a result, the cumulative results of the 1st quarter were net sales of ¥1,750 million (up 0.8% YoY), operating income of ¥209 million (down 14.8% YoY), ordinary income of ¥209 million (down 15.3% YoY) and net income of ¥133 million (down 14.5% YoY).

In KeePer Product-Related Businesses, the Company held KeePer Championships in August, and about 3,000 KeePer PROSHOPS participated in that. Net sales of this segment was ¥1,058 million (down 8.8% YoY). Weather conditions more impacted overall sales.

In KeePer LABO Management Business, the Company continued to increase KeePer coatings which are more profitable than car washings and overcome the effect of bad weather conditions. The net sales of this segment was ¥691 million (up 20.3% YoY).

## Balance Sheet

Unit: millions of yen

		As of June 30, 2017	Composition ratio	As of September 30, 2017	Composition ratio	Increase/decrease at end of previous fiscal year	Increase/decrease at end of previous fiscal year
Current assets		2,881	49.8%	<b>2,495</b>	44.8%	<b>(385)</b>	(13.4%)
	Cash and deposits	1,468	25.4%	<b>1,114</b>	20.0%	<b>(354)</b>	(24.1%)
	Notes and accounts receivable - trade	738	12.8%	<b>737</b>	13.2%	<b>(0)</b>	(0.1%)
Non-current assets		2,907	50.2%	<b>3,070</b>	55.2%	<b>162</b>	5.6%
	Property, plant and equipment	2,263	39.1%	<b>2,391</b>	43.0%	<b>128</b>	5.7%
	Investments and other assets	575	9.9%	<b>605</b>	10.9%	<b>29</b>	5.2%
Current liabilities		1,170	20.2%	<b>995</b>	17.9%	<b>(174)</b>	(14.9%)
	Accounts payable-trade	200	3.5%	<b>139</b>	2.5%	<b>(60)</b>	(30.3%)
Non-current liabilities		700	12.1%	<b>651</b>	11.7%	<b>(49)</b>	(7.0%)
Net assets		3,918	67.7%	<b>3,918</b>	70.4%	<b>(0)</b>	(0.0%)
	Shareholders' equity	3,917	67.7%	<b>3,917</b>	70.4%	<b>(0)</b>	(0.0%)
Total assets		5,789	100.0%	<b>5,566</b>	100.0%	<b>(223)</b>	(3.9%)

# Full-Year Earnings Forecast for the Year Ending June 30, 2018



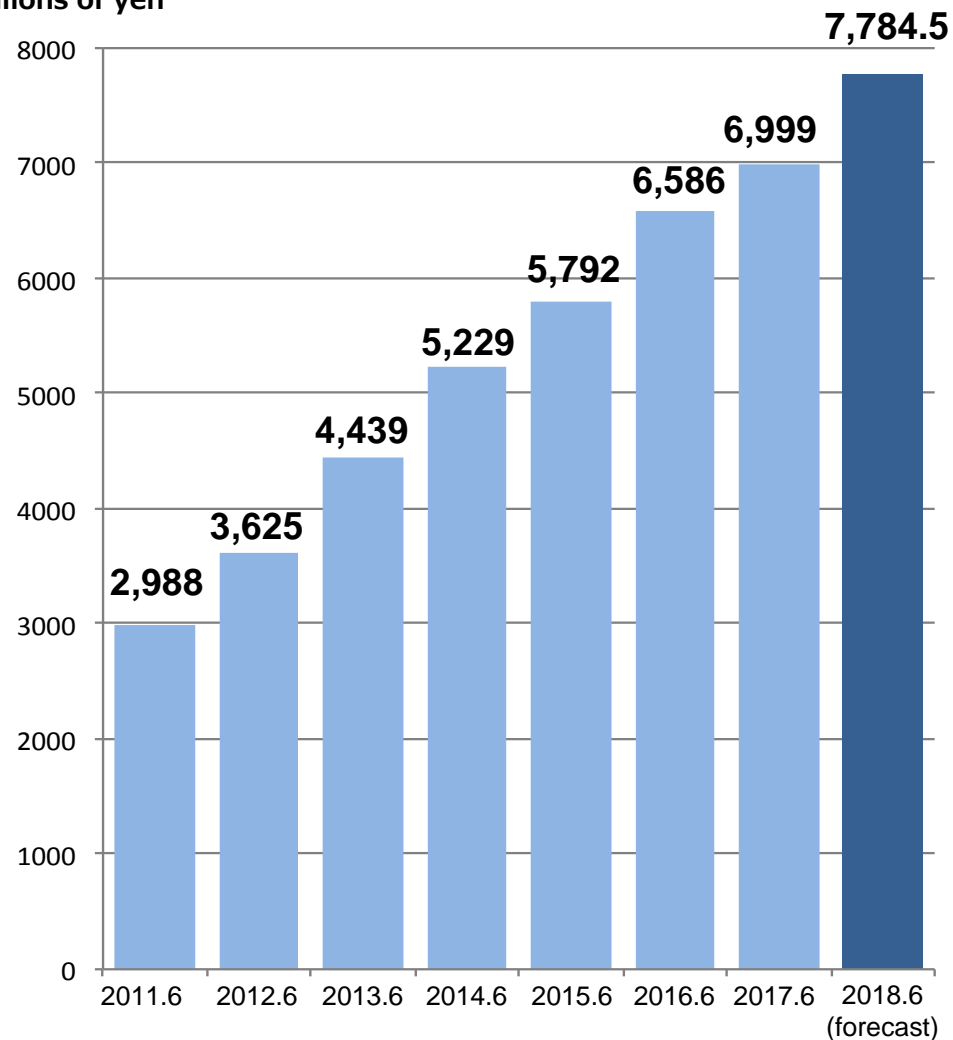
## Profit/loss

Unit: millions of yen

	Year ended June 30, 2017	Sales ratio	Year ending June 30, 2018	Sales ratio	YoY increase/ decrease	YoY increase /decrease (%)
Net sales	6,999		<b>7,784</b>		<b>785</b>	11.2%
Operating income	1,015	14.5%	<b>1,100</b>	14.1%	<b>85</b>	8.4%
Ordinary income	1,017	14.5%	<b>1,102</b>	14.1%	<b>85</b>	8.4%
Net income	649	9.2%	<b>703</b>	9.0%	<b>54</b>	8.4%

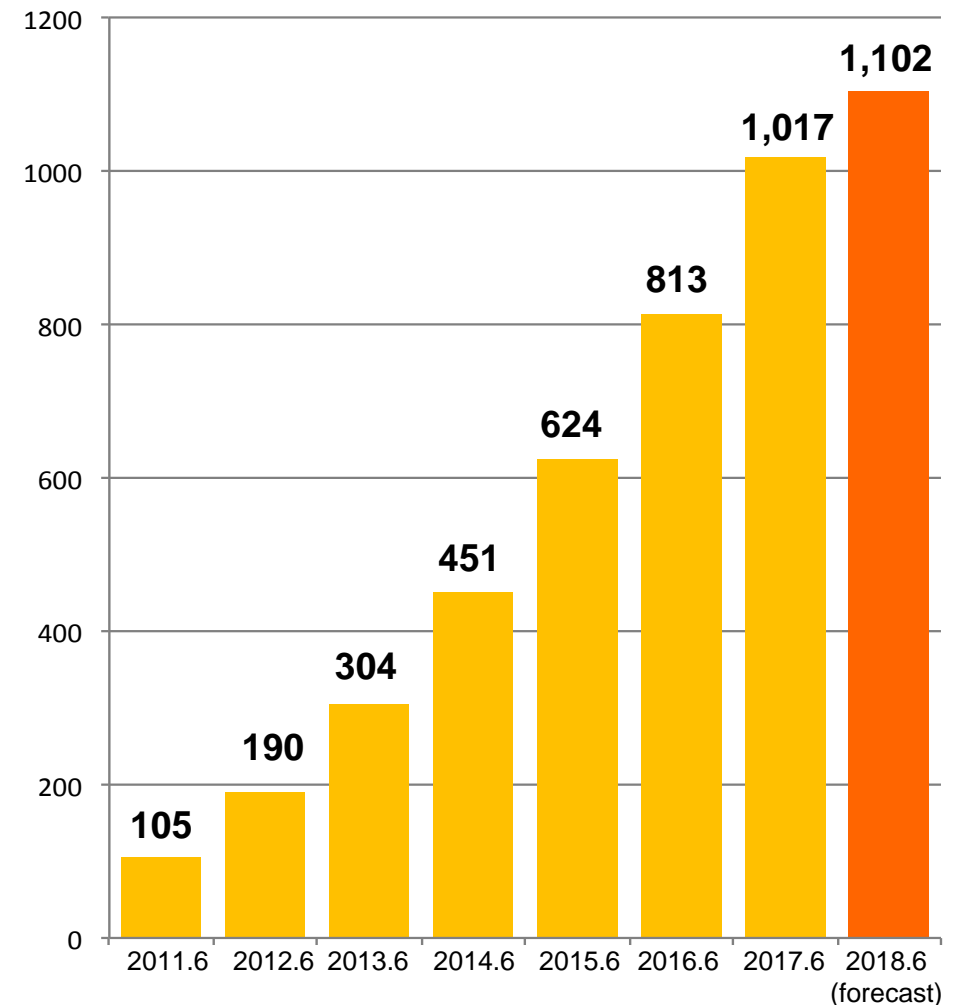
## Net sales

Millions of yen



## Ordinary income

Millions of yen





## Indicators

Units: Yen/%

		Year ended June 30, 2017	Year ending June 30, 2018 (forecast)
Per share information	<b>EPS</b>	45.67	49.97
Operating indicator	<b>Recurring profit margin</b>	14.5%	14.1%
Financial indicator	<b>ROE</b>	17.0%	—

### (Notes)

1. On July 1, 2017, the Company executed a 2-for-1 stock split of common shares. Profit per share is calculated assuming the said stock split was conducted at the beginning of the current fiscal year.
2. ROE for the year ended June 30, 2017 is calculated by dividing net income by average equity of beginning and end of the current fiscal year, and we do not disclose the indicator for the year ending June 30, 2018.

## 【Medium-term Targets】

Targets for the fiscal year ending June 30, 2019

KeePer LABO (directly managed)

Open 24 new branches in fiscal year ending June 30, 2018

Open 24 new branches in fiscal year ending June 30, 2019

KeePer LABO existing branch sales Maintain 105% or higher YoY

Establish KeePer brand

Recurring profit margin Maintain at or around 10%

## 【Priority Measures】

### **KeePer LABO Management Business**

- Strengthen new branch openings

### **KeePer Product-Related Businesses**

- Expand KeePer technical training infrastructure and enhance instructors
- Develop promotion activities using video
- Improve existing chemical products and develop new products

# New Branch Openings

(New branches opened until November 2017)

	<b>LABO</b>	<b>Prefecture</b>
July 2017	Kasugai branch	Aichi
August	Chiba Newtown branch	Chiba
	Kurume branch	Fukuoka
October	Tressa Yokohama branch	Kanagawa
November	Hiroshima Chorakuji branch	Hiroshima
	Matsudo branch (reform)	Chiba

# New Branch Openings

(Schedule of new branch openings in and after December 2017)

	LABO	Prefecture
December 2017	Komakiyama branch	Aichi
January 2018	Tsunashima branch	Kanagawa
	Anjo branch (replace)	Aichi
February	246 Tamagawa branch	Kanagawa
	Sagamihara-aioi branch	Kanagawa
	Konan branch	Aichi
	Hachioji branch (reform)	Tokyo
March	Warabi branch	Saitama
	Sendai-izumi branch	Miyagi
	Kani branch	Gifu
April	Karakida branch	Tokyo
	Misato branch	Saitama
	Toyohashi branch	Aichi
	Tsurumi branch	Osaka
May	Katsushika branch	Tokyo
	Kodomo-no-Kuni branch	Kanagawa
June	Nawakita branch	Aichi

## ■ KeePer LABO and KeePer PROSHOP Relationship of Co-Existence

- Among customers who receive first service at KeePer LABO, many (approximately 50%) receive their second and subsequent service at a nearby convenient KeePer PROSHOP.
- The proactive opening of KeePer LABO branches significantly contribute to invigorating KeePer product-related businesses.

## ■ Innumerable KeePer PROSHOP signs and shopfront sales raise awareness of KeePer. This is a huge plus for KeePer LABO.

- At KeePer PROSHOPS across Japan, sales are conducted using signage, in-store flyers and pamphlets that raise awareness about KeePer and are a huge plus for KeePer LABO management.

## ■ Synergies Between KeePer LABO management business and KeePer product-related businesses

- As indicated above, there is a relationship of co-existence and co-prosperity between KeePer LABO and KeePer PROSHOPS, which create synergies that are on of the Company's strengths.

- **Basic policy on profit distribution**
  - Our basic policy is to strengthen our corporate structure and expand internal reserves for future business development while continuing to provide dividends in accordance with business performance.
  - With regard to internal reserve capital, we will make an effort to maintain and improve the level of our dividend to shareholders over the long term, making use of the strength of our financial structure to expand business.
  - In line with the above policy, we aim to pay a dividend payout ratio of 20% to clearly indicate the importance we place on returning profits to shareholders.
- **Dividend Forecast**
  - In light of the above policy, in the fiscal year ending June 30, 2018, we plan to pay a full-year dividend of 10.0 yen per share, an increase of 0.5 yen per share over the full-year dividend of 9.5 yen paid in the fiscal year ended June 30, 2017.
  - On July 1, 2017, the Company executed a 2-for-1 stock split of common shares. The actual dividend for the year ended June 30, 2017 before the stock split is 19.0 yen.

	End of second quarter	Fiscal year end	Full-year	Dividend payout ratio
Year ending June 30, 2018 (plan)	—	10.0yen	10.0yen	20.0%
Year ended June 30, 2017	—	9.5yen	9.5yen	20.8%

## • Shareholders' Benefit Program

- The aim of this program is to show our appreciation for the daily support of our customers and heighten the appeal of our stock to encourage as many people as possible to hold Company shares over the medium- to long-term.
- We present gift card that can be used at KeePer LABO (directly managed) branches across Japan.
- For shareholders who do not live near a KeePer LABO, we provide a Quo Card exchange program.
- The expiry date of the gift card is September 30, 2018.

Number of shares held	Benefit details	Exchange program
100 or more shares to 1,000 or fewer shares	20% off all KeePer LABO service products	¥3,000 Quo Card
1,000 or more shares to 2,000 or fewer shares	25% off all KeePer LABO service products	
2,000 or more shares to 10,000 or fewer shares	30% off all KeePer LABO service products	
10,000 or more shares	37% off all KeePer LABO service products	

Company Name	KeePer Technical Laboratory Co., Ltd.
Head Office	4-17 Yoshikawa-cho, Obu-city, Aichi Prefecture, Japan 474-0046 TEL: +81 562-45-5258
Sales Office (Training Center)	Sapporo, Sendai, Niigata, Tokyo, Yokohama, Nagoya, Osaka, Hiroshima, Fukuoka, Kagoshima
Number of KeePer LABO (directly managed)	60 in Japan (as of 10/31/2017)
Founded & Established	1985 & February 1993
Capital	1,345 millions of yen (as of 6/30/2017)
Employees	338 (excluding temporary employees, as of 6/30/ 2017)
Business	<ul style="list-style-type: none"> <li>• Development, manufacture and sale of car coatings, car washing chemicals and equipment, etc.</li> <li>• Development of "Keeper PROSHOP" certified car coating technology shops</li> <li>• Management of "Keeper LABO" car coating and car wash specialty shops</li> </ul>



# Precautions Regarding these Materials

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- These materials were created to facilitate an understanding of current business conditions and are provided to investors for reference purposes.
- These materials contain forecasts related to the Company, future plans and management objectives. These forward-looking statements are current assumptions of future conditions. The Company cannot guarantee the accuracy of these assumptions. For a variety of reasons, actual performance may differ from the content herein.
- When making an investment, please do so at your own discretion.

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