

Brief Financial Report for the First Quarter Ending March 2018
[Based on Japanese Accounting Standards] (Consolidated)

Listed Company: PIOLAX Inc.

Code No.: 5988 (URL <http://www.piolax.co.jp>)

Representative: President Yukihiro Shimazu

Contact person in charge: General Manager, Management & Planning Department Toru Nagashima (Tel. 045-731-1211)

Estimated submission date of quarterly report: August 8, 2017

Date scheduled to start dividend payment: -

Preparation of supplementary materials for quarterly financial results: None

Information meeting for quarterly financial results to be held: None

(Amounts are rounded to the nearest million yen)

1. Consolidated performance for the first quarter ending March 31, 2018 (April 1, 2017 to June 30, 2017)

(1) Consolidated business results (Total sum)

(Percentage changes from the same period the previous year)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of PIOLAX Inc. | |
|-----------|-----------------|-----|------------------|------|-----------------|------|--|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY3/18 1Q | 16,495 | 5.7 | 2,625 | 6.8 | 2,805 | 4.8 | 2,080 | 8.0 |
| FY3/17 1Q | 15,609 | 1.8 | 2,458 | 19.0 | 2,677 | 16.9 | 1,926 | 20.6 |

Note: Comprehensive income FY3/18 1Q 1,377 million yen (-%), FY 3/17 1Q -155 million yen (-%)

| | Quarter net income per share | Quarter net income per share-diluted |
|-----------|------------------------------|--------------------------------------|
| | Yen | Yen |
| FY3/18 1Q | 58.09 | - |
| FY3/17 1Q | 53.80 | - |

The Company implemented a stock split of 3 shares for each 1 share of common stock with an effective date of April 1, 2017. Quarter net income per share was calculated based on the assumption that the aforementioned stock split had been made at the beginning of the previous consolidated fiscal year.

(2) Consolidate financial position

| | Total assets | Net assets | Equity capital ratio |
|-----------|-----------------|-----------------|----------------------|
| | Millions of yen | Millions of yen | % |
| FY3/18 1Q | 92,803 | 80,122 | 84.9 |
| FY3/17 | 92,668 | 79,424 | 84.4 |

(Reference) Equity capital: FY3/18 1Q 78,829 million yen, FY 3/17 78,180 million yen

2. Cash dividends

| | Annual dividends | | | | |
|-------------------|----------------------|-----------------------|----------------------|----------|-----------|
| | End of first quarter | End of second quarter | End of third quarter | Term end | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| FY3/17 | - | 40.00 | - | 60.00 | 100.00 |
| FY3/18 | - | - | - | - | - |
| FY3/18 (Forecast) | - | 17.00 | - | 17.00 | 34.00 |

Note: Changes in the latest forecasts released: None

The Company implemented a stock split of 3 shares for each 1 share of common stock with an effective date of April 1, 2017. Dividend per share for the fiscal year ended March 31, 2017 is the actual dividend amount declared prior to this stock split.

3. Forecast consolidated performance for the year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentage changes from previous period, and changes from the previous first half term for the same term)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of PIOLAX Inc. | | Net income per share |
|------------------------|-----------------|------|------------------|------|-----------------|-------|--|-------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First half (total sum) | 31,500 | -0.0 | 4,700 | -4.1 | 5,100 | -4.0 | 3,500 | -7.9 | 97.72 |
| Annual | 63,200 | -1.7 | 9,500 | -8.5 | 10,200 | -10.8 | 6,900 | -13.8 | 192.66 |

Note: Changes in the latest forecasts released: None

* Notes

(1) Changes in significant subsidiaries during the consolidated quarter term (changes in the specified subsidiaries resulting from the scope of consolidation): None
New XXX (Company name), Excluding XXX (Company name)

(2) Application of special accounting process for the preparation of quarterly consolidated financial statements: Yes
Note: This refers to whether or not the application of special accounting processes pertaining to the preparation of quarterly consolidated financial statements.

(3) Changes in accounting policies, accounting estimates and restatement of corrections
1) Changes in accounting policies due to amendments of accounting standards, etc.: None
2) Changes in accounting policies due to reasons stated in 1): None
3) Changes in accounting estimates: None
4) Restatement of corrections: None

(4) Number of shares issued (Common stock)

- 1) Number of shares issued at end of period (Including treasury shares)
- 2) Number of treasury shares at the end of the period
- 3) Average number of shares for the period (Full first quarter)

| | | | |
|-----------|-------------------|-----------|-------------------|
| FY3/18 1Q | 39,254,100 shares | FY3/17 | 39,254,100 shares |
| FY3/18 1Q | 3,439,279 shares | FY3/17 | 3,439,242 shares |
| FY3/18 1Q | 35,814,849 shares | FY3/17 1Q | 35,815,026 shares |

(Note) The Company implemented a stock split of 3 shares for each 1 share of common stock with an effective date of April 1, 2017. The number of shares issued (common stock) was calculated based on the assumption that the aforementioned stock split had been made at the beginning of the previous consolidated fiscal year.

*The brief financial report for the quarter is excluded from the quarterly review.

*Explanation about the proper use of earnings forecasts and other special remarks (Notes regarding any forward-looking statements, etc.)

This document contains certain forward-looking statements pertaining to future developments in our company's business, etc. They are based on the information we acquired and the currently available assumptions; thus, there are many factors that could cause future results to differ from these statements. Please refer to page 2 of Appendix "(3) Explanation about future financial forecasts including consolidated earnings forecasts," for the risks related to forward-looking statements including earnings forecasts and estimates of business developments.

2. Quarterly consolidated financial statement

(1) Quarterly consolidated balance sheet

(Millions of Yen)

| | Previous consolidated FY (March 31, 2017) | Current first quarter (June 30, 2017) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 25,474 | 25,920 |
| Notes and accounts receivable-trade | 14,172 | 13,674 |
| Electronically recorded monetary claims-operating | 1,610 | 1,679 |
| Goods and Finished products | 4,119 | 4,166 |
| Material in progress | 1,359 | 1,411 |
| Raw materials and inventory goods | 1,701 | 1,664 |
| Other | 2,240 | 2,397 |
| Allowance for bad loans | -13 | -21 |
| Total current assets | 50,664 | 50,892 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 8,212 | 8,012 |
| Machinery equipment and vehicles (net) | 7,864 | 7,586 |
| Tools, furniture and fixture (net) | 2,272 | 2,244 |
| Land | 5,143 | 5,149 |
| Lease asset (net) | 38 | 38 |
| Construction in progress | 1,020 | 1,195 |
| Total tangible fixed assets | 24,552 | 24,226 |
| Intangible fixed assets | | |
| Goodwill | 2 | 1 |
| Other | 961 | 985 |
| Total intangible fixed assets | 963 | 986 |
| Investments and other assets | | |
| Investment account securities | 14,967 | 15,138 |
| Other | 1,521 | 1,558 |
| Allowance for bad loans | -0 | -0 |
| Total investments and other assets | 16,488 | 16,696 |
| Total fixed assets | 42,003 | 41,910 |
| Total assets | 92,668 | 92,803 |

| | Previous consolidated FY (March 31, 2017) | Current first quarter (June 30, 2017) |
|--|--|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 3,434 | 3,178 |
| Short-term borrowings | 423 | 407 |
| Accrued income taxes | 1,269 | 677 |
| Allowance reserve | 851 | 427 |
| Other | 3,724 | 4,299 |
| Total current liabilities | 9,702 | 8,990 |
| Long-term liabilities | | |
| Net defined benefit liability | 149 | 161 |
| Asset removal liabilities | 18 | 18 |
| Other | 3,373 | 3,510 |
| Total long-term liabilities | 3,541 | 3,690 |
| Total liabilities | 13,244 | 12,681 |
| Total equity | | |
| Equity | | |
| Common stock | 2,960 | 2,960 |
| Capital surplus | 2,697 | 2,697 |
| Retained earnings | 73,182 | 74,546 |
| Treasury stock | -2,838 | -2,838 |
| Total shareholders' equity | 76,003 | 77,367 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 1,701 | 1,686 |
| Foreign currency translation adjustments | 839 | 123 |
| Remeasurements of defined benefit plans | -363 | -348 |
| Total accumulated other comprehensive income | 2,177 | 1,462 |
| Minority interests in consolidated subsidiaries | 1,243 | 1,293 |
| Total equity | 79,424 | 80,122 |
| Total liabilities and equity | 92,668 | 92,803 |

(2) Quarterly Consolidated Statements of (Comprehensive) Income
 (Quarterly Consolidated Statements of Income)
 [FY2018 first quarter]

(Millions of Yen)

| | Previous first quarter (April 1, 2016 to June 30, 2016) | Current first quarter (April 1, 2017 to June 30, 2017) |
|---|--|---|
| Net sales | 15,609 | 16,495 |
| Cost of sales | 10,736 | 11,343 |
| Gross profit | 4,872 | 5,152 |
| Selling, general and administrative expenses | 2,413 | 2,527 |
| Operating income | 2,458 | 2,625 |
| Non-operating income | | |
| Interest income | 14 | 16 |
| Dividend income | 30 | 31 |
| Equity method investment gain | 179 | 248 |
| Other | 76 | 40 |
| Total non-operating income | 301 | 337 |
| Non-operating expenses | | |
| Interest expense | 6 | 3 |
| Loss on valuation of derivatives | - | 50 |
| Foreign exchange loss | 70 | 84 |
| Loss on disposal of property and equipment | 0 | 8 |
| Cost of lease revenue | 1 | 1 |
| Other | 2 | 9 |
| Total non-operating expenses | 82 | 157 |
| Ordinary income | 2,677 | 2,805 |
| Quarterly net income before taxes and other adjustments | 2,677 | 2,805 |
| Corporate taxes | 727 | 694 |
| Net income before non-controlling interests | 1,950 | 2,111 |
| Net income attributable to non-controlling interests | 23 | 30 |
| Net income attributable to owners of PIOLAX Inc. | 1,926 | 2,080 |