

## Brief Financial Report for the Year Ended March 31, 2017 [Based on Japanese Accounting Standards] (Consolidated)

Listed Company Name: PIOLAX Inc. Listing Exchanges: Tokyo Stock Exchange (First Section)  
 Code No.: 5988 URL: <http://www.piolax.co.jp>  
 Representative: President Yukihiko Shimazu  
 Contact: General Manager, Management & Planning Department Toru Nagashima Tel.: 045-731-1211  
 Date scheduled for general meeting of shareholders: June 28, 2017 Date scheduled to start dividend payment: June 29, 2017  
 Date scheduled to submit asset securities report: June 29, 2017  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Information meeting for financial results to be held: Yes (For institutional investor and investment analyst)

(Amounts are rounded to the nearest million yen.)

### 1. Consolidated performance for the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

#### (1) Consolidated business results

(Percentage changes from previous period.)

|        | 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                                  | %    |
| FY3/17 | 64,275          | -0.1 | 10,384           | 13.5 | 11,429          | 13.6 | 8,003  | 13.9 |
| FY3/16 | 64,341          | 8.1  | 9,151            | 13.3 | 10,063          | 9.3  | 7,025  | 11.5 |

(Note) Comprehensive income FY3/17 6,540 million yen (33.8%) FY3/16 4,888 million yen (-51.3%)

|        | Net income per share | Net income per share-diluted | Net income to treasury shares | Ordinary income to total assets | Operating income to net sales |
|--------|----------------------|------------------------------|-------------------------------|---------------------------------|-------------------------------|
|        | Yen                  | Yen                          | %                             | %                               | %                             |
| FY3/17 | 223.48               | -                            | 10.6                          | 12.8                            | 16.2                          |
| FY3/16 | 196.15               | -                            | 9.9                           | 11.9                            | 14.2                          |

(Reference) Investment profit (loss) arising from equity method FY3/17 770 million yen FY3/16 698 million yen

The Company implemented a stock split of 3 shares for each 1 share of common stock with an effective date of April 1, 2017. 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) Consolidated financial position

|        | Total assets    | Net assets      | Equity capital ratio | Net assets per share |
|--------|-----------------|-----------------|----------------------|----------------------|
|        | Millions of yen | Millions of yen | %                    | Yen                  |
| FY3/17 | 92,668          | 79,424          | 84.4                 | 2,182.90             |
| FY3/16 | 86,544          | 73,933          | 84.0                 | 2,029.50             |

(Reference) Shareholders' equity FY3/17 78,180 million yen FY3/16 72,686 million yen

The Company implemented a stock split of 3 shares for each 1 share of common stock with an effective date of April 1, 2017. Net assets 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.

#### (3) Consolidated cash flows

|        | Net cash flows from operating activities | Net cash flows from investing activities | Net cash flows from financing activities | Cash and cash equivalents at ending of the term |
|--------|--|--|--|---|
|        | Millions of yen                          | Millions of yen                          | Millions of yen                          | Millions of yen                                 |
| FY3/17 | 10,541                                   | -5,995                                   | -1,463                                   | 24,175  |
| FY3/16 | 10,729                                   | -3,674                                   | -1,168                                   | 21,685  |

### 2. Dividends

|                   | Annual dividends     |                       |                      |          |           | Total dividend amount (annual) | Payout ratio (consolidated) | Dividend on net assets (consolidated) |
|-------------------|----------------------|-----------------------|----------------------|----------|-----------|--------------------------------|-----------------------------|---------------------------------------|
|                   | End of first quarter | End of second quarter | End of third quarter | Term end | Full year |                                |                             |                                       |
|                   | Yen                  | Yen                   | Yen                  | Yen      | Yen       | Millions of yen                | %                           | %                                     |
| FY3/16            | -                    | 35.00                 | -                    | 45.00    | 80.00     | 987                            | 13.6                        | 1.4                                   |
| FY3/17            | -                    | 40.00                 | -                    | 60.00    | 100.00    | 1,234                          | 14.9                        | 1.6                                   |
| FY3/18 (forecast) | -                    | 17.00                 | -                    | 17.00    | 34.00     |                                | 17.6                        |                                       |

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. Consolidated performance forecast 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               |

4. Consolidated financial statement  
 (1) Consolidated balance sheet

(Millions of yen)

|  | FY 2015<br>(As of March 31, 2016) | FY 2016<br>(As of March 31, 2017) |
|--|-----------------------------------|-----------------------------------|
| <b>Assets</b>  |                                   |                                   |
| <b>Current assets</b>                                |                                   |                                   |
| Cash and cash equivalents                            | 21,517                            | 25,474                            |
| Notes and accounts receivable-trade                  | 13,055                            | 14,172                            |
| Electronically recorded monetary<br>claims-operating | 1,228                             | 1,610                             |
| Marketable securities                                | 187                               | -                                 |
| Goods and finished products                          | 4,310                             | 4,119                             |
| Material in progress                                 | 1,595                             | 1,359                             |
| Raw materials and inventory goods                    | 1,768                             | 1,701                             |
| Deferred income taxes                                | 719                               | 637                               |
| Other current assets                                 | 1,405                             | 1,602                             |
| Allowance for bad loans                              | -42                               | -13                               |
| <b>Total current assets</b>                          | <b>45,746</b>                     | <b>50,664</b>                     |
| <b>Fixed assets</b>                                  |                                   |                                   |
| <b>Tangible fixed assets</b>                         |                                   |                                   |
| Buildings and structures                             | 16,160                            | 16,594                            |
| Accumulated depreciation                             | -8,288                            | -8,382                            |
| Buildings and structures (net)                       | 7,872                             | 8,212                             |
| Machinery equipment, and vehicles                    | 25,261                            | 26,525                            |
| Accumulated depreciation                             | -17,598                           | -18,660                           |
| Machinery equipment and vehicles (net)               | 7,663                             | 7,864                             |
| Tools, furniture and fixture                         | 26,822                            | 26,762                            |
| Accumulated depreciation                             | -24,268                           | -24,490                           |
| Tools, furniture and fixture (net)                   | 2,553                             | 2,272                             |
| Land   | 5,179                             | 5,143                             |
| Lease asset  | 90                                | 75                                |
| Accumulated depreciation                             | -27                               | -36                               |
| Lease asset (net)                                    | 62                                | 38                                |
| Construction in progress                             | 1,122                             | 1,020                             |
| <b>Total tangible fixed assets</b>                   | <b>24,455</b>                     | <b>24,552</b>                     |
| <b>Intangible fixed assets</b>                       |                                   |                                   |
| Goodwill   | 4                                 | 2                                 |
| Other  | 904                               | 961                               |
| <b>Total intangible fixed assets</b>                 | <b>909</b>                        | <b>963</b>                        |
| <b>Investments and other assets</b>                  |                                   |                                   |
| Investment securities                                | *1 14,197                         | *1 14,967                         |
| Deferred income taxes                                | 46                                | 43                                |
| Other assets   | 1,189                             | 1,478                             |
| Allowance for bad loans                              | -0                                | -0                                |
| <b>Total investments and other assets</b>            | <b>15,433</b>                     | <b>16,488</b>                     |
| <b>Total fixed assets</b>                            | <b>40,797</b>                     | <b>42,003</b>                     |
| <b>Total assets</b>                                  | <b>86,544</b>                     | <b>92,668</b>                     |

(Millions of yen)

|   | FY 2015<br>(As of March 31, 2016) | FY 2016<br>(As of March 31, 2017) |
|---|-----------------------------------|-----------------------------------|
| <b>Liabilities</b>                                  |                                   |                                   |
| <b>Current liabilities</b>                          |                                   |                                   |
| Accounts payable-trade                              | 3,199                             | 3,434                             |
| Short-term borrowings                               | 881                               | 423                               |
| Lease obligation                                    | 9                                 | 14                                |
| Accrued income taxes                                | 1,050                             | 1,269                             |
| Accrued bonuses to employees                        | 825                               | 844                               |
| Accrued bonuses to directors                        | 4                                 | 5                                 |
| Reserve for environmental measures                  | 1                                 | 2                                 |
| Other current liabilities                           | 3,458                             | 3,709                             |
| <b>Total current liabilities</b>                    | <b>9,430</b>                      | <b>9,702</b>                      |
| <b>Long-term liabilities</b>                        |                                   |                                   |
| Lease obligation                                    | 16                                | 41                                |
| Deferred tax liabilities                            | 2,554                             | 2,766                             |
| Net defined benefit liability                       | 168                               | 149                               |
| Asset removal liabilities                           | 18                                | 18                                |
| Other long-term liabilities                         | 422                               | 565                               |
| <b>Total long-term fixed liabilities</b>            | <b>3,180</b>                      | <b>3,541</b>                      |
| <b>Total liabilities</b>                            | <b>12,611</b>                     | <b>13,244</b>                     |
| <b>Total equity</b>                                 |                                   |                                   |
| <b>Equity</b>                                       |                                   |                                   |
| Common stock  | 2,960                             | 2,960                             |
| Capital surplus                                     | 2,697                             | 2,697                             |
| Retained earnings                                   | 66,193                            | 73,182                            |
| Treasury stock                                      | -2,837                            | -2,838                            |
| <b>Total shareholders' equity</b>                   | <b>69,014</b>                     | <b>76,003</b>                     |
| <b>Accumulated other comprehensive income</b>       |                                   |                                   |
| Valuation difference on available-for-sale          | 1,615                             | 1,701                             |
| Foreign currency translation adjustments            | 2,465                             | 839                               |
| Remeasurements of defined benefit plans             | -408                              | -363                              |
| <b>Total accumulated other comprehensive income</b> | <b>3,672</b>                      | <b>2,177</b>                      |
| <b>Non-controlling interests</b>                    | <b>1,246</b>                      | <b>1,243</b>                      |
| <b>Total equity</b>                                 | <b>73,933</b>                     | <b>79,424</b>                     |
| <b>Total liabilities and equity</b>                 | <b>86,544</b>                     | <b>92,668</b>                     |

(2) Consolidated statements of income and Consolidated comprehensive income  
 (Consolidated statements of income)

(Millions of yen)

|  | FY 2015<br>(April 1, 2015 to March 31, 2016) | FY 2016<br>(April 1, 2016 to March 31, 2017) |
|--|--|--|
| Net sales  | 64,341                                       | 64,275                                       |
| Cost of sales  | *2 *3 45,414                                 | *2 *3 44,214                                 |
| Gross profit   | 18,927                                       | 20,060                                       |
| Selling, general and administrative expenses         | *1 *2 9,775                                  | *1 *2 9,676                                  |
| Operating income                                     | 9,151  | 10,384                                       |
| Non-operating income                                 |  |  |
| Interest income                                      | 58   | 69   |
| Dividend income                                      | 48   | 65   |
| Equity method investment gain                        | 698  | 770  |
| Other  | 246  | 220  |
| Total non-operating income                           | 1,052  | 1,125  |
| Non-operating expenses                               |  |  |
| Interest expense                                     | 55   | 21   |
| Loss on disposal of property and equipment           | 42   | 14   |
| Leases   | 9  | 7  |
| Other  | 32   | 36   |
| Total non-operating expenses                         | 140  | 80   |
| Ordinary income                                      | 10,063                                       | 11,429                                       |
| Extraordinary income                                 |  |  |
| Gain on sales of investment securities               | -  | 25   |
| Total extraordinary income                           | -  | 25   |
| Extraordinary loss                                   |  |  |
| Impairment loss                                      | -  | *4 114                                       |
| Restructuring loss                                   | 92   | -  |
| Total extraordinary loss                             | 92   | 114  |
| Net income before taxes and other adjustments        | 9,971  | 11,340                                       |
| Corporate taxes                                      | 2,831  | 2,941  |
| Income taxes-deferred                                | 27   | 294  |
| Total corporate taxes                                | 2,858  | 3,235  |
| Current net income                                   | 7,112  | 8,105  |
| Net income attributable to non-controlling interests | 87   | 101  |
| Net income attributable to owners of PIOLAX Inc.     | 7,025  | 8,003  |