

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2015 (Based on Japanese GAAP)

February 10, 2016

Company name: Kawasumi Laboratories, Incorporated
 Stock exchange listing: Tokyo
 Stock code: 7703 URL <http://www.kawasumi.jp/>
 Representative: President and Chief Executive Officer Yoshio Sakaya
 General Manager, Accounting and Finance
 Inquiries: Division Koichi Ukegawa TEL 03-5769-2600
 Scheduled date to file Quarterly Securities Report: February 10, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2015	21,137	0.0	1,594	46.4	1,700	15.3	1,240	52.6
Nine months ended December 31, 2014	21,134	3.1	1,089	213.0	1,474	357.7	812	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2015	54.24		–	
Nine months ended December 31, 2014	35.53		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2015	44,483	38,660	86.1	1,681.46
As of March 31, 2015	45,245	38,889	85.0	1,682.79

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2015	–	7.50	–	7.50	15.00
Year ending March 31, 2016	–	7.50	–	–	–
Year ending March 31, 2016 (Forecast)	–	–	–	7.50	15.00

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	29,000	2.1	1,900	35.0	2,000	9.0	1,400	43.5	61.55

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2015
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2015	22,948,003 shares	As of March 31, 2015	22,948,003 shares
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Number of treasury shares at the end of the period

As of December 31, 2015	180,872 shares	As of March 31, 2015	80,712 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2015	22,861,417 shares	Nine months ended December 31, 2014	22,867,300 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	13,895	14,797
Notes and accounts receivable - trade	7,296	7,727
Merchandise and finished goods	3,718	3,553
Work in process	828	726
Raw materials and supplies	1,457	1,374
Other	711	625
Allowance for doubtful accounts	(67)	(60)
Total current assets	27,841	28,744
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,771	5,977
Machinery, equipment and vehicles, net	3,937	3,145
Other, net	2,274	2,084
Total property, plant and equipment	12,983	11,207
Intangible assets	173	144
Investments and other assets		
Investment securities	3,935	4,051
Other	356	377
Allowance for doubtful accounts	(44)	(42)
Total investments and other assets	4,247	4,385
Total non-current assets	17,404	15,738
Total assets	45,245	44,483
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,242	2,045
Income taxes payable	132	170
Provision	330	67
Other	1,515	1,443
Total current liabilities	4,222	3,726
Non-current liabilities		
Net defined benefit liability	1,666	1,647
Other	467	448
Total non-current liabilities	2,134	2,096
Total liabilities	6,356	5,822

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	23,620	24,517
Treasury shares	(56)	(143)
Total shareholders' equity	36,667	37,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	939	994
Foreign currency translation adjustment	921	(147)
Remeasurements of defined benefit plans	(48)	(42)
Total accumulated other comprehensive income	1,812	804
Non-controlling interests	408	378
Total net assets	38,889	38,660
Total liabilities and net assets	45,245	44,483

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	21,134	21,137
Cost of sales	14,078	13,621
Gross profit	7,055	7,515
Selling, general and administrative expenses	5,966	5,920
Operating income	1,089	1,594
Non-operating income		
Interest income	9	19
Dividend income	25	34
Foreign exchange gains	267	–
Revenue of scraps	42	39
Share of profit of entities accounted for using equity method	15	32
Other	37	18
Total non-operating income	398	144
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	–	18
Other	11	19
Total non-operating expenses	13	39
Ordinary income	1,474	1,700
Extraordinary income		
Gain on sales of non-current assets	1	18
Total extraordinary income	1	18
Extraordinary losses		
Loss on sales and retirement of non-current assets	8	2
Impairment loss	80	–
Total extraordinary losses	88	2
Income before income taxes and minority interests	1,386	1,716
Income taxes - current	346	391
Income taxes - deferred	208	67
Total income taxes	554	459
Profit	832	1,256
Profit attributable to non-controlling interests	19	16
Profit attributable to owners of parent	812	1,240

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit	832	1,256
Other comprehensive income		
Valuation difference on available-for-sale securities	467	54
Remeasurements of defined benefit plans, net of tax	7	6
Foreign currency translation adjustment	1,537	(1,112)
Total other comprehensive income	2,012	(1,051)
Comprehensive income	2,844	205
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,800	231
Comprehensive income attributable to non-controlling interests	43	(26)

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,386	1,716
Depreciation	1,580	1,397
Impairment loss	80	–
Loss on retirement of property, plant and equipment	8	2
Loss (gain) on sales of property, plant and equipment	(1)	(18)
Increase (decrease) in provision	(251)	(265)
Increase (decrease) in net defined benefit liability	9	48
Interest and dividend income	(34)	(54)
Interest expenses	1	1
Share of (profit) loss of entities accounted for using equity method	(15)	(32)
Decrease (increase) in notes and accounts receivable - trade	(354)	(617)
Decrease (increase) in inventories	(332)	180
Increase (decrease) in notes and accounts payable - trade	96	(138)
Other, net	50	(83)
Subtotal	<u>2,224</u>	<u>2,135</u>
Interest and dividend income received	36	60
Proceeds from compensation	1,790	–
Interest expenses paid	(1)	(1)
Income taxes paid	<u>(786)</u>	<u>(360)</u>
Net cash provided by (used in) operating activities	<u>3,262</u>	<u>1,834</u>
Cash flows from investing activities		
Payments into time deposits	(98)	(19)
Purchase of investment securities	–	(6)
Purchase of property, plant and equipment	(466)	(278)
Proceeds from sales of property, plant and equipment	1	77
Purchase of intangible assets	(42)	(26)
Other, net	(4)	(51)
Net cash provided by (used in) investing activities	<u>(611)</u>	<u>(305)</u>
Cash flows from financing activities		
Decrease (increase) in treasury shares	(0)	(87)
Cash dividends paid	(343)	(342)
Dividends paid to non-controlling interests	(2)	(3)
Repayments of finance lease obligations	(14)	(11)
Net cash provided by (used in) financing activities	<u>(360)</u>	<u>(444)</u>
Effect of exchange rate change on cash and cash equivalents	64	(183)
Net increase (decrease) in cash and cash equivalents	<u>2,355</u>	<u>900</u>
Cash and cash equivalents at beginning of period	9,605	13,630
Cash and cash equivalents at end of period	<u>11,961</u>	<u>14,530</u>