

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (Based on Japanese GAAP)

August 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: August 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 three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

(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	%
Three months ended June 30, 2016	6,048	(10.8)	309	(15.4)	173	(63.4)	393	14.0
Three months ended June 30, 2015	6,778	1.1	365	50.8	473	64.8	344	107.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	18.03		–	
Three months ended June 30, 2015	15.08		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	41,645	36,357	86.4	1,649.32
As of March 31, 2016	43,505	37,017	84.2	1,678.86

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, 2016	–	7.50	–	7.50	15.00
Year ending March 31, 2017	–	–	–	–	–
Year ending March 31, 2017 (Forecast)	–	7.50	–	7.50	15.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

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
Six months ending September 30, 2016	12,500	(10.6)	300	(69.5)	300	(72.0)	500	(36.5)	22.92
Full year	25,700	(8.7)	1,000	(53.1)	1,000	(54.1)	1,100	(5.8)	50.42

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2016
 (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 June 30, 2016	22,948,003 shares	As of March 31, 2016	22,948,003 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	1,132,272 shares	As of March 31, 2016	1,132,272 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2016	21,815,731 shares	Three months ended June 30, 2015	22,867,291 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	15,142	14,873
Notes and accounts receivable - trade	7,270	6,406
Merchandise and finished goods	3,373	3,295
Work in process	654	639
Raw materials and supplies	1,158	1,225
Other	692	679
Allowance for doubtful accounts	(71)	(14)
Total current assets	28,220	27,104
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,731	5,462
Machinery, equipment and vehicles, net	2,886	2,659
Other, net	2,269	2,110
Total property, plant and equipment	10,887	10,232
Intangible assets	186	179
Investments and other assets		
Investment securities	3,723	3,636
Other	530	536
Allowance for doubtful accounts	(42)	(43)
Total investments and other assets	4,210	4,128
Total non-current assets	15,284	14,540
Total assets	43,505	41,645
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,761	1,571
Income taxes payable	727	159
Provision	332	24
Other	1,563	1,458
Total current liabilities	4,384	3,214
Non-current liabilities		
Net defined benefit liability	1,655	1,619
Other	447	453
Total non-current liabilities	2,102	2,073
Total liabilities	6,487	5,287

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	24,444	24,674
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	36,492	36,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	793	728
Foreign currency translation adjustment	(595)	(1,408)
Remeasurements of defined benefit plans	(64)	(61)
Total accumulated other comprehensive income	133	(741)
Non-controlling interests	391	376
Total net assets	37,017	36,357
Total liabilities and net assets	43,505	41,645

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	6,778	6,048
Cost of sales	4,448	3,802
Gross profit	2,329	2,245
Selling, general and administrative expenses	1,963	1,935
Operating income	365	309
Non-operating income		
Interest income	4	8
Dividend income	18	18
Share of profit of entities accounted for using equity method	14	9
Foreign exchange gains	54	–
Revenue of scraps	14	8
Other	4	3
Total non-operating income	112	48
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	–	184
Other	4	0
Total non-operating expenses	4	185
Ordinary income	473	173
Extraordinary income		
Gain on sales of non-current assets	18	1
Total extraordinary income	18	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	3
Other	1	0
Total extraordinary losses	1	3
Profit before income taxes	491	170
Income taxes - current	49	8
Refund of income taxes for prior periods	–	(257)
Income taxes - deferred	92	19
Total income taxes	141	(229)
Profit	349	400
Profit attributable to non-controlling interests	4	6
Profit attributable to owners of parent	344	393

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	349	400
Other comprehensive income		
Valuation difference on available-for-sale securities	(92)	(64)
Remeasurements of defined benefit plans, net of tax	2	3
Foreign currency translation adjustment	(211)	(832)
Total other comprehensive income	(302)	(893)
Comprehensive income	47	(493)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40	(480)
Comprehensive income attributable to non-controlling interests	6	(12)

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Cash flows from operating activities		
Profit before income taxes	491	170
Depreciation	482	389
Loss on retirement of property, plant and equipment	0	3
Loss (gain) on sales of property, plant and equipment	(18)	(1)
Increase (decrease) in provision	(308)	(309)
Increase (decrease) in net defined benefit liability	13	16
Interest and dividend income	(23)	(27)
Interest expenses	0	0
Share of (profit) loss of entities accounted for using equity method	(14)	(9)
Decrease (increase) in notes and accounts receivable - trade	310	735
Decrease (increase) in inventories	(155)	(138)
Increase (decrease) in notes and accounts payable - trade	(118)	(129)
Other, net	58	325
Subtotal	717	1,025
Interest and dividend income received	30	44
Interest expenses paid	(0)	(0)
Income taxes paid	(147)	(291)
Net cash provided by (used in) operating activities	600	778
Cash flows from investing activities		
Payments into time deposits	(19)	-
Proceeds from withdrawal of time deposits	-	16
Purchase of investment securities	(7)	-
Purchase of property, plant and equipment	(122)	(616)
Proceeds from sales of property, plant and equipment	77	1
Purchase of intangible assets	(14)	(49)
Other, net	(2)	4
Net cash provided by (used in) investing activities	(88)	(642)
Cash flows from financing activities		
Cash dividends paid	(157)	(151)
Dividends paid to non-controlling interests	-	(2)
Repayments of finance lease obligations	(4)	(0)
Net cash provided by (used in) financing activities	(161)	(154)
Effect of exchange rate change on cash and cash equivalents	(25)	(225)
Net increase (decrease) in cash and cash equivalents	325	(245)
Cash and cash equivalents at beginning of period	13,630	14,973
Cash and cash equivalents at end of period	13,955	14,727