

Translation

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

November 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: November 10, 2016
 Scheduled date to commence dividend payments: December 5, 2016
 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 six months ended September 30, 2016 (from April 1, 2016 to September 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	%
Six months ended September 30, 2016	12,287	(12.1)	571	(42.0)	467	(56.3)	636	(19.2)
Six months ended September 30, 2015	13,982	2.0	984	60.2	1,070	34.5	787	78.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	29.16	—
Six months ended September 30, 2015	34.43	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	41,753	36,467	86.5	1,655.48
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	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	7.50	—	7.50	15.00
Year ending March 31, 2017	—	7.50	—	—	—
Year ending March 31, 2017 (Forecast)	—	—	—	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
Full year	25,700	(8.7)	1,150	(46.0)	1,150	(47.2)	1,200	2.8	55.01

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2016	1,132,392 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)

Six months ended September 30, 2016	21,815,697 shares	Six months ended September 30, 2015	22,867,263 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	15,142	15,501
Notes and accounts receivable - trade	7,270	6,456
Merchandise and finished goods	3,373	3,093
Work in process	654	609
Raw materials and supplies	1,158	1,215
Other	692	640
Allowance for doubtful accounts	(71)	(14)
Total current assets	28,220	27,502
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,731	5,327
Machinery, equipment and vehicles, net	2,886	2,587
Other, net	2,269	1,968
Total property, plant and equipment	10,887	9,883
Intangible assets	186	288
Investments and other assets		
Investment securities	3,723	3,590
Other	530	532
Allowance for doubtful accounts	(42)	(43)
Total investments and other assets	4,210	4,079
Total non-current assets	15,284	14,250
Total assets	43,505	41,753
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,761	1,536
Income taxes payable	727	77
Provision	332	321
Other	1,563	1,261
Total current liabilities	4,384	3,196
Non-current liabilities		
Net defined benefit liability	1,655	1,629
Other	447	458
Total non-current liabilities	2,102	2,088
Total liabilities	6,487	5,285

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	24,444	24,917
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	36,492	36,964
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	793	690
Foreign currency translation adjustment	(595)	(1,481)
Remeasurements of defined benefit plans	(64)	(57)
Total accumulated other comprehensive income	133	(849)
Non-controlling interests	391	352
Total net assets	37,017	36,467
Total liabilities and net assets	43,505	41,753

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	13,982	12,287
Cost of sales	9,090	7,824
Gross profit	4,892	4,462
Selling, general and administrative expenses	3,907	3,891
Operating income	984	571
Non-operating income		
Interest income	10	17
Dividend income	15	20
Revenue of scraps	26	21
Foreign exchange gains	19	–
Share of profit of entities accounted for using equity method	22	23
Other	9	10
Total non-operating income	104	92
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	–	193
Other	17	1
Total non-operating expenses	18	195
Ordinary income	1,070	467
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	1	3
Total extraordinary losses	1	3
Profit before income taxes	1,087	465
Income taxes - current	294	22
Refund of income taxes for prior periods	–	(253)
Income taxes - deferred	(4)	49
Total income taxes	289	(181)
Profit	798	646
Profit attributable to non-controlling interests	10	10
Profit attributable to owners of parent	787	636

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	798	646
Other comprehensive income		
Valuation difference on available-for-sale securities	(195)	(103)
Remeasurements of defined benefit plans, net of tax	5	7
Foreign currency translation adjustment	(1,200)	(931)
Total other comprehensive income	(1,390)	(1,027)
Comprehensive income	(592)	(380)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(590)	(343)
Comprehensive income attributable to non-controlling interests	(1)	(36)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	1,087	465
Depreciation	947	770
Loss (gain) on sales and retirement of property, plant and equipment	(17)	2
Increase (decrease) in provision	(19)	(11)
Increase (decrease) in net defined benefit liability	21	38
Interest and dividend income	(26)	(37)
Interest expenses	1	0
Share of (profit) loss of entities accounted for using equity method	(22)	(23)
Decrease (increase) in notes and accounts receivable - trade	(39)	648
Decrease (increase) in inventories	144	85
Increase (decrease) in notes and accounts payable - trade	(243)	(152)
Other, net	17	379
Subtotal	1,852	2,165
Interest and dividend income received	33	55
Interest expenses paid	(1)	(0)
Income taxes paid	(141)	(453)
Net cash provided by (used in) operating activities	1,742	1,765
Cash flows from investing activities		
Payments into time deposits	(19)	(0)
Purchase of investment securities	(6)	-
Purchase of property, plant and equipment	(212)	(743)
Proceeds from sales of property, plant and equipment	77	1
Purchase of intangible assets	(21)	(120)
Other, net	(8)	2
Net cash provided by (used in) investing activities	(191)	(860)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(171)	(163)
Dividends paid to non-controlling interests	(3)	(2)
Repayments of finance lease obligations	(9)	(0)
Net cash provided by (used in) financing activities	(184)	(167)
Effect of exchange rate change on cash and cash equivalents	(201)	(358)
Net increase (decrease) in cash and cash equivalents	1,165	380
Cash and cash equivalents at beginning of period	13,630	14,973
Cash and cash equivalents at end of period	14,795	15,353