

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

February 9, 2017

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: Koichi Ukegawa TEL 03-5769-2600
 Division
 Scheduled date to file Quarterly Securities Report: February 9, 2017
 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, 2016 (from April 1, 2016 to December 31, 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 | % |
| Nine months ended December 31, 2016 | 18,404 | (12.9) | 802 | (49.7) | 916 | (46.1) | 979 | (21.0) |
| Nine months ended December 31, 2015 | 21,137 | 0.0 | 1,594 | 46.4 | 1,700 | 15.3 | 1,240 | 52.6 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended December 31, 2016 | 44.90 | | – | |
| Nine months ended December 31, 2015 | 54.24 | | – | |

(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, 2016 | 43,475 | 38,003 | 86.6 | 1,725.49 |
| 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 | – | 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 nine months ended December 31, 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 December 31, 2016 | 22,948,003 shares | As of March 31, 2016 | 22,948,003 shares |
|-------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|------------------|----------------------|------------------|
| As of December 31, 2016 | 1,132,432 shares | As of March 31, 2016 | 1,132,272 shares |
|-------------------------|------------------|----------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended December 31, 2016 | 21,815,667 shares | Nine months ended December 31, 2015 | 22,861,417 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,142 | 15,498 |
| Notes and accounts receivable - trade | 7,270 | 6,879 |
| Merchandise and finished goods | 3,373 | 3,154 |
| Work in process | 654 | 571 |
| Raw materials and supplies | 1,158 | 1,349 |
| Other | 692 | 857 |
| Allowance for doubtful accounts | (71) | (16) |
| Total current assets | 28,220 | 28,294 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,731 | 5,406 |
| Machinery, equipment and vehicles, net | 2,886 | 2,820 |
| Other, net | 2,269 | 2,043 |
| Total property, plant and equipment | 10,887 | 10,270 |
| Intangible assets | 186 | 504 |
| Investments and other assets | | |
| Investment securities | 3,723 | 4,057 |
| Other | 530 | 372 |
| Allowance for doubtful accounts | (42) | (23) |
| Total investments and other assets | 4,210 | 4,406 |
| Total non-current assets | 15,284 | 15,181 |
| Total assets | 43,505 | 43,475 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 1,761 | 1,703 |
| Income taxes payable | 727 | 61 |
| Provision | 332 | 76 |
| Other | 1,563 | 1,459 |
| Total current liabilities | 4,384 | 3,302 |
| Non-current liabilities | | |
| Net defined benefit liability | 1,655 | 1,709 |
| Other | 447 | 460 |
| Total non-current liabilities | 2,102 | 2,170 |
| Total liabilities | 6,487 | 5,472 |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,642 | 6,642 |
| Capital surplus | 6,462 | 6,462 |
| Retained earnings | 24,444 | 25,096 |
| Treasury shares | (1,056) | (1,056) |
| Total shareholders' equity | 36,492 | 37,144 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 793 | 999 |
| Foreign currency translation adjustment | (595) | (447) |
| Remeasurements of defined benefit plans | (64) | (54) |
| Total accumulated other comprehensive income | 133 | 498 |
| Non-controlling interests | 391 | 360 |
| Total net assets | 37,017 | 38,003 |
| Total liabilities and net assets | 43,505 | 43,475 |

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, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Net sales | 21,137 | 18,404 |
| Cost of sales | 13,621 | 11,774 |
| Gross profit | 7,515 | 6,630 |
| Selling, general and administrative expenses | 5,920 | 5,828 |
| Operating income | 1,594 | 802 |
| Non-operating income | | |
| Interest income | 19 | 26 |
| Dividend income | 34 | 33 |
| Revenue of scraps | 39 | 34 |
| Share of profit of entities accounted for using equity method | 32 | 41 |
| Other | 18 | 35 |
| Total non-operating income | 144 | 170 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Foreign exchange losses | 18 | 47 |
| Other | 19 | 6 |
| Total non-operating expenses | 39 | 55 |
| Ordinary income | 1,700 | 916 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 18 | 11 |
| Gain on sales of investment securities | – | 25 |
| Total extraordinary income | 18 | 36 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 2 | 15 |
| Total extraordinary losses | 2 | 15 |
| Profit before income taxes | 1,716 | 937 |
| Income taxes - current | 391 | 34 |
| Refund of income taxes for prior periods | – | (257) |
| Income taxes - deferred | 67 | 163 |
| Total income taxes | 459 | (58) |
| Profit | 1,256 | 996 |
| Profit attributable to non-controlling interests | 16 | 16 |
| Profit attributable to owners of parent | 1,240 | 979 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Profit | 1,256 | 996 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 54 | 206 |
| Remeasurements of defined benefit plans, net of tax | 6 | 10 |
| Foreign currency translation adjustment | (1,112) | 102 |
| Total other comprehensive income | (1,051) | 319 |
| Comprehensive income | 205 | 1,316 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 231 | 1,344 |
| Comprehensive income attributable to non-controlling interests | (26) | (28) |

Consolidated statements of cash flows

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,716 | 937 |
| Depreciation | 1,397 | 1,182 |
| Loss on retirement of property, plant and equipment | 2 | 15 |
| Loss (gain) on sales of property, plant and equipment | (18) | (11) |
| Increase (decrease) in provision | (265) | (271) |
| Increase (decrease) in net defined benefit liability | 48 | 58 |
| Interest and dividend income | (54) | (59) |
| Interest expenses | 1 | 1 |
| Share of (profit) loss of entities accounted for using equity method | (32) | (41) |
| Decrease (increase) in notes and accounts receivable - trade | (617) | 418 |
| Decrease (increase) in inventories | 180 | 108 |
| Increase (decrease) in notes and accounts payable - trade | (138) | (53) |
| Other, net | (83) | (83) |
| Subtotal | 2,135 | 2,202 |
| Interest and dividend income received | 60 | 77 |
| Interest expenses paid | (1) | (1) |
| Income taxes paid | (360) | (472) |
| Net cash provided by (used in) operating activities | 1,834 | 1,805 |
| Cash flows from investing activities | | |
| Payments into time deposits | (19) | (0) |
| Purchase of investment securities | (6) | - |
| Purchase of property, plant and equipment | (278) | (850) |
| Proceeds from sales of property, plant and equipment | 77 | 11 |
| Purchase of intangible assets | (26) | (230) |
| Other, net | (51) | 2 |
| Net cash provided by (used in) investing activities | (305) | (1,068) |
| Cash flows from financing activities | | |
| Decrease (increase) in treasury shares | (87) | (0) |
| Cash dividends paid | (342) | (326) |
| Dividends paid to non-controlling interests | (3) | (2) |
| Repayments of finance lease obligations | (11) | (1) |
| Net cash provided by (used in) financing activities | (444) | (330) |
| Effect of exchange rate change on cash and cash equivalents | (183) | (29) |
| Net increase (decrease) in cash and cash equivalents | 900 | 377 |
| Cash and cash equivalents at beginning of period | 13,630 | 14,973 |
| Cash and cash equivalents at end of period | 14,530 | 15,350 |