

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 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: Division Koichi Ukegawa TEL 03-5769-2600  
 Scheduled date to file Quarterly Securities Report: November 9, 2017  
 Scheduled date to commence dividend payments: December 4, 2017  
 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, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	12,567	2.3	342	(40.0)	444	(5.0)	313	(50.7)
Six months ended September 30, 2016	12,287	(12.1)	571	(42.0)	467	(56.3)	636	(19.2)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	14.37		-	
Six months ended September 30, 2016	29.16		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	44,325	38,732	86.5
As of March 31, 2017	43,848	38,156	86.1

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, 2017	-	7.50	-	10.00	17.50
Year ending March 31, 2018	-	7.50	-	-	-
Year ending March 31, 2018 (Forecast)	-	-	-	7.50	15.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	25,000	1.1	600	(35.1)	650	(36.5)	600	(46.2)	27.50

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017  
(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: No
  - 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, 2017	22,948,003 shares	As of March 31, 2017	22,948,003 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	1,132,432 shares	As of March 31, 2017	1,132,432 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, 2017	21,815,571 shares	Six months ended September 30, 2016	21,815,697 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	15,370	15,737
Notes and accounts receivable - trade	6,475	6,762
Merchandise and finished goods	3,137	2,996
Work in process	625	766
Raw materials and supplies	1,253	1,342
Other	1,047	580
Allowance for doubtful accounts	(19)	(4)
Total current assets	27,890	28,181
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,286	5,088
Machinery, equipment and vehicles, net	2,948	2,774
Other, net	2,793	2,788
Total property, plant and equipment	11,028	10,652
Intangible assets	573	545
Investments and other assets		
Investment securities	3,916	4,539
Other	464	430
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,356	4,946
Total non-current assets	15,958	16,143
Total assets	43,848	44,325
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,687	1,574
Income taxes payable	95	138
Provision	320	299
Other	1,339	1,258
Total current liabilities	3,442	3,271
Non-current liabilities		
Net defined benefit liability	1,758	1,836
Other	490	484
Total non-current liabilities	2,249	2,320
Total liabilities	5,692	5,592

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	6,642	6,642
Capital surplus	6,462	6,462
Retained earnings	25,233	25,328
Treasury shares	(1,056)	(1,056)
Total shareholders' equity	37,281	37,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	994
Foreign currency translation adjustment	(361)	27
Remeasurements of defined benefit plans	(78)	(74)
Total accumulated other comprehensive income	471	946
Non-controlling interests	404	409
Total net assets	38,156	38,732
Total liabilities and net assets	43,848	44,325

**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, 2016	Six months ended September 30, 2017
Net sales	12,287	12,567
Cost of sales	7,824	8,214
Gross profit	4,462	4,353
Selling, general and administrative expenses	3,891	4,011
Operating profit	571	342
Non-operating income		
Interest income	17	18
Dividend income	20	26
Compensation income	–	41
Revenue of scraps	21	22
Share of profit of entities accounted for using equity method	23	–
Other	10	12
Total non-operating income	92	122
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	193	16
Share of loss of entities accounted for using equity method	–	0
Other	1	1
Total non-operating expenses	195	20
Ordinary profit	467	444
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	18
Total extraordinary losses	3	18
Profit before income taxes	465	427
Income taxes - current	22	107
Refund of income taxes for prior periods	(253)	–
Income taxes - deferred	49	5
Total income taxes	(181)	112
Profit	646	314
Profit attributable to non-controlling interests	10	1
Profit attributable to owners of parent	636	313

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	646	314
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	83
Remeasurements of defined benefit plans, net of tax	7	3
Foreign currency translation adjustment	(931)	394
Total other comprehensive income	(1,027)	481
Comprehensive income	(380)	796
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(343)	788
Comprehensive income attributable to non-controlling interests	(36)	7

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	465	427
Depreciation	770	833
Loss (gain) on sales and retirement of property, plant and equipment	2	17
Increase (decrease) in provision	(11)	(36)
Increase (decrease) in net defined benefit liability	38	64
Interest and dividend income	(37)	(45)
Interest expenses	0	0
Share of (profit) loss of entities accounted for using equity method	(23)	0
Decrease (increase) in notes and accounts receivable - trade	648	(271)
Decrease (increase) in inventories	85	(35)
Increase (decrease) in notes and accounts payable - trade	(152)	(75)
Other, net	379	258
Subtotal	2,165	1,138
Interest and dividend income received	55	67
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	(453)	183
Net cash provided by (used in) operating activities	1,765	1,388
Cash flows from investing activities		
Payments into time deposits	(0)	(0)
Purchase of investment securities	–	(509)
Purchase of property, plant and equipment	(743)	(420)
Proceeds from sales of property, plant and equipment	1	2
Purchase of intangible assets	(120)	(21)
Other, net	2	1
Net cash provided by (used in) investing activities	(860)	(948)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(0)	–
Cash dividends paid	(163)	(217)
Dividends paid to non-controlling interests	(2)	(2)
Repayments of finance lease obligations	(0)	(0)
Net cash provided by (used in) financing activities	(167)	(221)
Effect of exchange rate change on cash and cash equivalents	(358)	144
Net increase (decrease) in cash and cash equivalents	380	363
Cash and cash equivalents at beginning of period	14,973	15,180
Cash and cash equivalents at end of period	15,353	15,544