

Summary of Consolidated Financial Statements for the Second Quarter of the Term Ending March 2017 (Japan GAAP)

November 9, 2016

Name of Listed Company: **TSUMURA & CO.**

Exchange: Tokyo Stock Exchange

Code: 4540

URL: <http://www.tsumura.co.jp>

Representative: Position: President & Representative Director Name: Terukazu Kato

Contact: Position: Head of Corporate Communications Dept. Name: Noboru Suzuki

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Scheduled date of submission: November 10, 2016

Scheduled date of dividend payment commencement: December 5, 2016

Preparation of supplementary materials for the quarterly financial statements: Yes

Holding of the quarterly results briefing: Yes (for institutional investors, securities analysts and news media)

(Figures are rounded down to the nearest one million yen.)

1. Consolidated business results for the second quarter of the term ending March 2017

(from April 1, 2016 to September 30, 2016)

(1) Financial results (year to date)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six month period ended September 30, 2016	56,359	3.3	7,868	-20.2	7,366	-26.9	5,311	-18.8
Six month period ended September 30, 2015	54,560	3.5	9,855	14.8	10,072	9.6	6,538	6.7

(Note) Comprehensive income

Six month period ended September 30, 2016: -589 million yen (-%)

Six month period ended September 30, 2015: 7,047 million yen (26.6%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six month period ended September 30, 2016	75.57	—
Six month period ended September 30, 2015	92.72	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2016	214,635	149,450	68.5
As of March 31, 2016	222,468	155,702	68.8

(Reference) Shareholders' equity: As of September 30, 2016: 147,114 million yen As of March 31, 2016: 152,976 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
F Y 3/2016	—	32.00	—	32.00	64.00
F Y 3/2017	—	32.00	—	—	—
FY 3/2017 (Projection)	—	—	—	32.00	64.00

(Note) Revisions to dividends projection published most recently: No

3. Projections of consolidated business results for the term ending March 2017 (From April 1, 2016 to March 31, 2017)

(Figures in percentage show the rate of increase or decrease from the previous fiscal year for full-year and from the second quarter of the previous fiscal year for second quarter (aggregate).)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	115,400	2.5	14,500	-26.9	15,000	-23.1	10,700	-14.8	153.75

(Note) Revisions to business results projection published most recently: No

The Company resolved the acquisition of treasury stock at a meeting of the Board of Directors held on August 4, 2016. The impact of the acquisition of treasury stock is reflected in the net income per share under the consolidated earnings forecast. For the acquisition of treasury stock, please see the Notice Regarding Acquisition of Treasury Stock and Completion of Acquisition, which was separately released on November 2, 2016.

Notes

- (1) Important changes of subsidiaries during the term
(change of specified subsidiaries that lead to a change in the scope of consolidation) : No
- (2) Application of special accounting practices in consolidated quarterly financial statements preparation: Yes
- (3) Changes in accounting principles and procedures and the method for indication, etc.
- | | |
|---|----|
| 1) Changes associated with the revision of accounting principles, etc.: | No |
| 2) Change other than 1): | No |
| 3) Accounting estimate change: | No |
| 4) Retrospective restatement: | No |

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock) (shares)	FY 3/2017 2Q	70,771,662	FY 3/2016	70,771,662
2) Number of treasury stock at the end of the term (shares)	FY 3/2017 2Q	1,406,777	FY 3/2016	247,631
3) Average number of shares during the term (shares)	FY 3/2017 2Q	70,284,235	FY 3/2016 2Q	70,524,494

* Indication concerning the condition of carrying-out of the quarterly audit procedure

This Summary of Consolidated Quarterly Financial Statements does not require the quarterly audit procedure based on the Financial Instruments and Exchange Act. As of the time of disclosure of this Summary of Consolidated Quarterly Financial Statements, the audit procedure to consolidated quarterly financial statements based on the Financial Instruments and Exchange Act was not yet completed.

* Explanation about the proper use of financial projections and other important notes

(Note about forward-looking information)

In these materials, earnings forecasts and other statements about the future are forward-looking statements based on the information currently available and certain assumptions that the Company regards as reasonable. Accordingly, the Company cannot make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors.

1. Consolidated Quarterly Financial Statements
(i) Consolidated Quarterly Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	25,150	27,902
Notes and accounts receivable-trade	41,875	38,403
Merchandise and finished goods	8,438	7,993
Work in process	12,428	13,852
Raw materials and stores	31,482	27,740
Other	14,298	13,228
Allowance for doubtful accounts	(4)	(3)
Total current assets	<u>133,668</u>	<u>129,116</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,226	64,643
Other	74,138	68,119
Accumulated depreciation	(67,542)	(69,217)
Total property, plant and equipment	<u>62,822</u>	<u>63,545</u>
Intangible assets	226	219
Investment and other assets		
Investment securities	20,119	18,290
Net defined benefit asset	122	465
Other	5,510	2,998
Allowance for doubtful accounts	(2)	(0)
Total investment and other assets	<u>25,750</u>	<u>21,754</u>
Total non-current assets	<u>88,799</u>	<u>85,519</u>
Total assets	<u>222,468</u>	<u>214,635</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,157	3,302
Short-term loans payable	21,957	21,957
Income taxes payable	2,838	1,969
Provision for sales returns	16	17
Other	15,732	14,724
Total current liabilities	<u>43,702</u>	<u>41,971</u>
Non-current liabilities		
Long-term loans payable	15,000	15,000
Net defined benefit liability	66	76
Other	7,996	8,137
Total non-current liabilities	<u>23,063</u>	<u>23,213</u>
Total liabilities	<u>66,765</u>	<u>65,184</u>
Net Assets		
Shareholders' equity		
Capital stock	19,487	19,487
Capital surplus	1,940	1,940
Retained earnings	122,047	124,979
Treasury shares	(392)	(3,675)
Total shareholders' equity	<u>143,084</u>	<u>142,732</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,835	3,666
Deferred gains or losses on hedges	479	(1,565)
Revaluation reserve for land	2,513	2,513
Foreign currency translation adjustment	3,549	151
Remeasurements of defined benefit plans	(485)	(383)
Total accumulated other comprehensive income	<u>9,891</u>	<u>4,382</u>
Non-controlling interests	<u>2,726</u>	<u>2,336</u>
Total net assets	<u>155,702</u>	<u>149,450</u>
Total liabilities and net assets	<u>222,468</u>	<u>214,635</u>

(ii) Consolidated Quarterly Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Quarterly Statements of Income / For the Second Quarter Consolidated Accumulative Term

(Unit: million yen)

	Six month period ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six month period ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	54,560	56,359
Cost of sales	21,024	24,256
Gross profit	33,536	32,102
Selling, general and administrative expenses	23,680	24,234
Operating profit	9,855	7,868
Non-operating profit		
Interest income	49	29
Dividend income	173	199
Share of profit of entities accounted for using equity method	—	20
Foreign exchange gains	0	—
Other	124	179
Total non-operating profit	348	428
Non-operating expenses		
Interest expenses	93	72
Share of loss of entities accounted for using equity method	27	—
Foreign exchange losses	—	848
Other	11	9
Total non-operating expenses	132	930
Ordinary income	10,072	7,366
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	—
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	18	14
Loss on disaster	—	4
Total extraordinary losses	18	19
Income before income taxes	10,053	7,346
Income taxes	3,322	1,921
Net income	6,730	5,425
Net income attributable to non-controlling interests	192	114
Net income attributable to owners of parent	6,538	5,311

Consolidated Quarterly Statements of Comprehensive Income / For the Second Quarter Consolidated Accumulative Term

(Unit: million yen)

	Six month period ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six month period ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net income	6,730	5,425
Other comprehensive income		
Valuation difference on available-for-sale securities	1,078	(169)
Deferred gains or losses on hedges	(1,264)	(2,044)
Foreign currency translation adjustment	493	(3,818)
Remeasurements of defined benefit plans	(1)	102
Share of other comprehensive income of entities accounted for using equity method	9	(83)
Total other comprehensive income	<u>316</u>	<u>(6,014)</u>
Comprehensive income	<u>7,047</u>	<u>(589)</u>
Comprehensive income attributable to		
Owners of parent	6,793	(198)
Non-controlling interests	254	(390)

(iii) Consolidated Quarterly Statements of Cash Flows

(Unit: million yen)

	Six month period ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six month period ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	10,053	7,346
Depreciation	2,536	2,593
Increase (decrease) in allowance for doubtful accounts	0	(3)
Interest and dividend income	(222)	(228)
Interest expenses	93	72
Share of (profit) loss of entities accounted for using equity method	27	(20)
Loss (gain) on sales and retirement of property, plant and equipment	11	14
Decrease (increase) in notes and accounts receivable - trade	1,982	3,337
Decrease (increase) in inventories	655	428
Increase (decrease) in notes and accounts payable - trade	432	342
Loss (gain) on sales of short-term and long-term investment securities	(0)	—
Increase (decrease) in net defined benefit asset	(308)	(143)
Increase (decrease) in net defined benefit liability	(1)	(46)
Other	(3,699)	2,369
Subtotal	11,561	16,062
Interest and dividend income received	243	246
Interest expenses paid	(93)	(70)
Income taxes paid	(1,150)	(2,724)
Net cash provided by (used in) operating activities	10,561	13,513
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,988)	(4,854)
Proceeds from sales of property, plant and equipment	1,200	0
Purchase of intangible assets	(29)	(19)
Purchase of short-term and long-term investment securities	(5)	(5)
Proceeds from sales and redemption of short-term and long-term investment securities	0	—
Payments of loans receivable	(932)	(1)
Collection of loans receivable	2	2
Payments into time deposits	(17)	(18)
Proceeds from withdrawal of time deposits	36	24
Other	(5)	228
Net cash provided by (used in) investing activities	(4,738)	(4,644)
Cash flows from financing activities		
Purchase of treasury shares	(1)	(3,283)
Cash dividends paid	(2,258)	(2,257)
Dividends paid to non-controlling interests	(54)	(49)
Other	(18)	(22)
Net cash provided by (used in) financing activities	(2,332)	(5,613)
Effect of exchange rate change on cash and cash equivalents	173	(828)
Net increase (decrease) in cash and cash equivalents	3,663	2,428
Cash and cash equivalents at beginning of period	19,343	25,128
Increase in cash and cash equivalents from newly consolidated subsidiary	—	290
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	28
Cash and cash equivalents at end of period	23,007	27,876

(iv) Notes to the Consolidated Quarterly Financial Statements

Notes on premise of a going concern

No relevant items.

Notes on case of extreme change in shareholder's equity amount

The Company acquired 1,158,900 shares of treasury stock in accordance with the resolution by a Board of Directors Meeting held on August 4, 2016. As a result, treasury stock increased 3,283 million yen for the consolidated cumulative second quarter and to 3,675 million yen at the end of the consolidated second quarter under review.