

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

February 7, 2017

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
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Scheduled date of dividend payment commencement: -

Preparation of supplementary materials for the quarterly financial statements: No.

Holding of the quarterly results briefing: No.

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

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

(from April 1, 2016 to December 31, 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	%
Nine month period ended December 31, 2016	87,959	1.6	13,985	-12.8	14,626	-10.2	11,163	4.9
Nine month period ended December 31, 2015	86,562	1.8	16,039	1.7	16,286	-7.5	10,641	-12.5

(Note) Comprehensive income
Nine month period ended December 31, 2016: 7,441 million yen (-33.0%)
Nine month period ended December 31, 2015: 11,105 million yen (-25.3%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine month period ended December 31, 2016	159.85	—
Nine month period ended December 31, 2015	150.89	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2016	216,177	153,544	69.9
As of March 31, 2016	222,468	155,702	68.8

(Reference) Shareholders' equity: As of December 31, 2016: 151,178 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	—	32.00	64.00
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.)

	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

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 3Q	70,771,662	FY 3/2016	70,771,662
2) Number of treasury stock at the end of the term (shares)	FY 3/2017 3Q	1,989,082	FY 3/2016	247,631
3) Average number of shares during the term (shares)	FY 3/2017 3Q	69,835,972	FY 3/2016 3Q	70,524,410

* 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 procedure to quarterly audit 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

Forward-looking statements such as financial projections, which are stated in this document, are based on information currently available to the Company and certain assumptions deemed reasonable. There is a possibility that actual results, etc. will differ materially from forecasts due to various factors.

Consolidated Quarterly Financial Statements
(i) Consolidated Quarterly Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	25,150	24,743
Notes and accounts receivable-trade	41,875	43,265
Merchandise and finished goods	8,438	7,639
Work in process	12,428	13,067
Raw materials and stores	31,482	29,573
Other	14,298	13,297
Allowance for doubtful accounts	(4)	(4)
Total current assets	<u>133,668</u>	<u>131,582</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,226	63,567
Other	74,138	68,576
Accumulated depreciation	(67,542)	(69,239)
Total property, plant and equipment	<u>62,822</u>	<u>62,903</u>
Intangible assets	226	211
Investment and other assets		
Investment securities	20,119	17,196
Net defined benefit asset	122	633
Other	5,510	3,650
Allowance for doubtful accounts	(2)	(0)
Total investment and other assets	<u>25,750</u>	<u>21,479</u>
Total non-current assets	<u>88,799</u>	<u>84,595</u>
Total assets	<u>222,468</u>	<u>216,177</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,157	3,675
Short-term loans payable	21,957	12,581
Income taxes payable	2,838	885
Provision for sales returns	16	19
Other	15,732	12,868
Total current liabilities	<u>43,702</u>	<u>30,030</u>
Non-current liabilities		
Long-term loans payable	15,000	24,376
Net defined benefit liability	66	81
Other	7,996	8,145
Total non-current liabilities	<u>23,063</u>	<u>32,603</u>
Total liabilities	<u>66,765</u>	<u>62,633</u>
Net Assets		
Shareholders' equity		
Capital stock	19,487	19,487
Capital surplus	1,940	1,940
Retained earnings	122,047	128,612
Treasury shares	(392)	(5,393)
Total shareholders' equity	<u>143,084</u>	<u>144,647</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,835	3,622
Deferred gains or losses on hedges	479	1,551
Revaluation reserve for land	2,513	2,513
Foreign currency translation adjustment	3,549	(823)
Remeasurements of defined benefit plans	(485)	(331)
Total accumulated other comprehensive income	<u>9,891</u>	<u>6,531</u>
Non-controlling interests	<u>2,726</u>	<u>2,365</u>
Total net assets	<u>155,702</u>	<u>153,544</u>
Total liabilities and net assets	<u>222,468</u>	<u>216,177</u>

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

(Unit: million yen)

	Nine month period ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine month period ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Net sales	86,562	87,959
Cost of sales	34,653	37,423
Gross profit	51,909	50,535
Selling, general and administrative expenses	35,869	36,550
Operating income	16,039	13,985
Non-operating income		
Interest income	74	49
Dividend income	360	382
Share of profit of entities accounted for using equity method	—	44
Other	242	317
Total non-operating income	677	793
Non-operating expenses		
Interest expenses	136	104
Share of loss of entities accounted for using equity method	5	—
Foreign exchange losses	269	35
Other	19	13
Total non-operating expenses	430	153
Ordinary income	16,286	14,626
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	0	873
Total extraordinary income	0	874
Extraordinary losses		
Loss on sales of non-current assets	0	14
Loss on retirement of non-current assets	19	26
Loss on disaster	—	5
Total extraordinary losses	19	46
Income before income taxes and minority interests	16,267	15,453
Income taxes	5,373	4,072
Net income	10,894	11,381
Net income attributable to non-controlling interests	253	218
Net income attributable to owners of parent	10,641	11,163

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

(Unit: million yen)

	Nine month period ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine month period ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Net income	10,894	11,381
Other comprehensive income		
Valuation difference on available-for-sale securities	2,934	(213)
Deferred gains or losses on hedges	(1,771)	1,071
Foreign currency translation adjustment	(928)	(4,857)
Remeasurements of defined benefit plans	(1)	153
Share of other comprehensive income of entities accounted for using equity method	(22)	(94)
Total other comprehensive income	<u>211</u>	<u>(3,939)</u>
Comprehensive income	<u>11,105</u>	<u>7,441</u>
Comprehensive income attributable to		
Owners of parent	10,974	7,802
Non-controlling interests	131	(360)

(iii) Consolidated Quarterly Statements of Cash Flows

(Unit: million yen)

	Nine month period ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine month period ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	16,267	15,453
Depreciation	3,776	4,039
Increase (decrease) in allowance for doubtful accounts	0	(2)
Interest and dividend income	(434)	(431)
Interest expenses	136	104
Share of (profit) loss of entities accounted for using equity method	5	(44)
Loss (gain) on sales and retirement of property, plant and equipment	12	40
Decrease (increase) in notes and accounts receivable	(1,232)	(1,546)
Decrease (increase) in inventories	(1,564)	(565)
Increase (decrease) in notes and accounts payable - trade	245	1,369
Loss (gain) on sales of short-term and long-term investment securities	(0)	(873)
Decrease (increase) in net defined benefit assets	(459)	(211)
Increase (decrease) in net defined benefit liability	(2)	(65)
Other	(2,161)	3,077
Subtotal	<u>14,590</u>	<u>20,343</u>
Interest and dividend income received	457	452
Interest expenses paid	(137)	(103)
Income taxes paid	(3,818)	(5,360)
Net cash provided by (used in) operating activities	<u>11,091</u>	<u>15,332</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,043)	(6,926)
Proceeds from sales of property, plant and equipment	1,200	22
Purchase of intangible assets	(34)	(23)
Purchase of short-term and long-term investment securities	(7)	(8)
Proceeds from sales and redemption of short-term and long-term investment securities	8	1,874
Payments for investments in capital of subsidiaries and associates	—	(238)
Payments of loans receivable	(932)	(1)
Collection of loans receivable	4	3
Payments into time deposits	(25)	(26)
Proceeds from withdrawal of time deposits	48	24
Other	(16)	222
Net cash provided by (used in) investing activities	<u>(5,797)</u>	<u>(5,077)</u>
Cash flows from financing activities		
Purchase of treasury shares	(1)	(5,001)
Cash dividends paid	(4,431)	(4,413)
Dividends paid to non-controlling interests	(54)	(49)
Other	(27)	(33)
Net cash provided by (used in) financing activities	<u>(4,515)</u>	<u>(9,496)</u>
Effect of exchange rate change on cash and cash equivalents	(144)	(1,497)
Net increase (decrease) in cash and cash equivalents	<u>633</u>	<u>(738)</u>
Cash and cash equivalents at beginning of period	<u>19,343</u>	<u>25,128</u>
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	<u>19,976</u>	<u>24,709</u>

(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 1,741,000 shares of its own shares in accordance with the resolution by a Board of Directors Meeting held on August 4, 2016. As a result, the number of treasury stock increased 5,001 million yen in this term, including due to purchase of fractional shares, and the number of treasury stock at the end of the term was 5,393 million yen.