

Summary of Consolidated Financial Statements for the First Quarter of the Term Ending March 2018 (Japan GAAP)

August 3, 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 submission: August 4, 2017

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 first quarter of the term ending March 2018

(from April 1, 2017 to June 30, 2017)

(1) Financial results (year to date)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three month period ended June 30, 2017	29,068	1.3	4,441	-1.1	4,579	9.9	3,194	8.2
Three month period ended June 30, 2016	28,692	7.2	4,489	-6.2	4,168	-18.8	2,952	-5.9

(Note) Comprehensive income

Three month period ended June 30, 2017: 3,312 million yen (—%)

Three month period ended June 30, 2016: -316 million yen (—%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three month period ended June 30, 2017	46.45	—
Three month period ended June 30, 2016	41.87	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2017	255,385	158,508	61.0
As of March 31, 2017	222,008	157,397	69.7

(Reference) Shareholders' equity:

As of June 30, 2017: 155,911 million yen

As of March 31, 2017: 154,783million 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 3/2017	— Yen	32.00 Yen	— Yen	32.00 Yen	64.00 Yen
F Y 3/2018	—				
FY 3/2018 (Projection)		32.00	—	32.00	64.00

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

3. Projections of consolidated business results for the term ending March 2018 (From April 1, 2017 to March 31, 2018)

(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 profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (aggregate)	58,600	4.0	8,200	4.2	8,400	14.0	6,100	14.9	88.69
Full-year	120,700	5.0	17,600	10.1	18,100	10.4	12,700	1.7	184.64

(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 3/2018 1Q	70,771,662	FY 3/2017	70,771,662
2) Number of treasury stock at the end of the term (shares)	FY 3/2018 1Q	1,989,282	FY 3/2017	1,989,282
3) Average number of shares during the term (shares)	FY 3/2018 1Q	68,782,380	FY 3/2017 1Q	70,524,031

* This Summary of Consolidated Quarterly Financial Statements does not require the quarterly audit procedure.

* 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. Quarterly Consolidated Financial Statements
(i) Quarterly consolidated balance sheet

(Unit: million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	29,931	62,542
Notes and accounts receivable-trade	40,347	40,346
Merchandise and finished goods	8,122	8,262
Work in process	14,547	14,206
Raw materials and supplies	29,467	27,843
Other	12,266	12,893
Allowance for doubtful accounts	(4)	(4)
Total current assets	134,679	166,090
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,429	64,178
Other	71,301	73,492
Accumulated depreciation	(71,044)	(72,161)
Total property, plant and equipment	64,686	65,508
Intangible assets	266	317
Investment and other assets		
Investment securities	17,530	18,633
Net defined benefit asset	1,058	1,246
Other	3,786	3,588
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	22,376	23,468
Total non-current assets	87,329	89,295
Total assets	222,008	255,385
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,696	6,453
Short-term loans payable	12,581	25,314
Income taxes payable	1,901	1,775
Provision for sales returns	13	4
Other	10,691	15,651
Total current liabilities	31,883	49,198
Non-current liabilities		
Bonds payable	—	30,000
Long-term loans payable	24,376	9,376
Net defined benefit liability	84	86
Other	8,267	8,216
Total non-current liabilities	32,727	47,678
Total liabilities	64,611	96,877
Net assets		
Shareholders' equity		
Capital stock	19,487	19,487
Capital surplus	1,940	1,940
Retained earnings	129,937	130,931
Treasury shares	(5,393)	(5,393)
Total shareholders' equity	145,972	146,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,845	4,613
Deferred gains or losses on hedges	925	948
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	1,470	764
Remeasurements of defined benefit plans	(102)	(55)
Total accumulated other comprehensive income	8,811	8,944
Non-controlling interests	2,613	2,597
Total net assets	157,397	158,508
Total liabilities and net assets	222,008	255,385

(ii) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly consolidated statement of income / For the First Quarter Consolidated Accumulative Term

(Unit: million yen)

	Three month period ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net sales	28,692	29,068
Cost of sales	12,272	12,366
Gross profit	16,419	16,701
Selling, general and administrative expenses	11,930	12,259
Operating profit	4,489	4,441
Non-operating income		
Interest income	15	14
Dividend income	187	184
Share of profit of entities accounted for using equity method	—	18
Foreign exchange gains	—	14
Other	129	95
Total non-operating income	333	326
Non-operating expenses		
Interest expenses	38	39
Bond issuance cost	—	143
Share of loss of entities accounted for using equity method	18	—
Foreign exchange losses	592	—
Other	4	5
Total non-operating expenses	653	188
Ordinary profit	4,168	4,579
Extraordinary income		
Gain on sales of non-current assets	—	2
Total extraordinary income	—	2
Extraordinary losses		
Loss on sales of non-current assets	—	5
Loss on retirement of non-current assets	3	15
Loss on disaster	4	—
Total extraordinary losses	7	20
Profit before income taxes	4,161	4,561
Income taxes	1,135	1,288
Profit	3,025	3,272
Profit attributable to non-controlling interests	73	77
Profit attributable to owners of parent	2,952	3,194

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

(Unit: million yen)

	Three month period ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Profit	3,025	3,272
Other comprehensive income		
Valuation difference on available-for-sale securities	(249)	768
Deferred gains or losses on hedges	(1,840)	23
Foreign currency translation adjustment	(1,271)	(784)
Remeasurements of defined benefit plans	51	47
Share of other comprehensive income (loss) of entities accounted for using equity method	(32)	(14)
Total other comprehensive income	<u>(3,342)</u>	<u>39</u>
Comprehensive income	<u>(316)</u>	<u>3,312</u>
Comprehensive income attributable to		
Owners of parent	(189)	3,328
Non-controlling interests	(127)	(16)

(iii) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	Three month period ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Profit before income taxes	4,161	4,561
Depreciation	1,284	1,503
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Interest and dividend income	(203)	(198)
Interest expenses	38	39
Bond issuance cost	—	143
Share of (profit) loss of entities accounted for using equity method	18	(18)
Loss (gain) on sales and retirement of property, plant and equipment	3	18
Decrease (increase) in notes and accounts receivable - trade	607	(31)
Decrease (increase) in inventories	(378)	1,379
Increase (decrease) in notes and accounts payable - trade	(420)	(120)
Decrease (increase) in net defined benefit asset	(71)	(93)
Increase (decrease) in net defined benefit liability	(20)	(24)
Other	2,982	2,915
Subtotal	7,998	10,074
Interest and dividend income received	222	197
Interest expenses paid	(37)	(32)
Income taxes paid	(2,662)	(1,607)
Net cash provided by (used in) operating activities	5,520	8,631
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,103)	(1,134)
Proceeds from sales of property, plant and equipment	—	3
Purchase of intangible assets	(8)	(64)
Purchase of short-term and long-term investment securities	(2)	(2)
Payments of loans receivable	(0)	(1)
Collection of loans receivable	1	0
Payments into time deposits	(9)	(8)
Proceeds from withdrawal of time deposits	12	—
Other	(11)	(11)
Net cash provided by (used in) investing activities	(4,122)	(1,219)
Cash flows from financing activities		
Decrease in short-term loans payable	—	(2,267)
Proceeds from issuance of bonds	—	29,856
Cash dividends paid	(2,187)	(2,143)
Other	(8)	(10)
Net cash provided by (used in) financing activities	(2,195)	25,436
Effect of exchange rate change on cash and cash equivalents	(151)	(245)
Net increase (decrease) in cash and cash equivalents	(948)	32,603
Cash and cash equivalents at beginning of period	25,128	29,901
Increase in cash and cash equivalents from newly consolidated subsidiary	290	—
Cash and cash equivalents at end of period	24,470	62,504

(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)

No relevant items.

(Transfer of important subsidiaries during the quarter under review)

No relevant items.

Though not a transfer of a specified subsidiary, Tsumura China Inc. has been consolidated due to the completion of investment in the company during the first quarter of the fiscal year under review.

(Application of specific accounting treatment to the preparation of quarterly financial statements)

(Deferment of cost variance)

Cost variance caused by seasonal changes in operation rates, etc. is expected to be eliminated for the most part by the end of the cost accounting period, which is, therefore, deferred as "current liabilities (other)."