

Summary of Consolidated Financial Statements for Second Quarter of Fiscal Year Ending March 31, 2017(Japan GAAP)

November 09, 2016
Listed Exchanges: TSE

Name of Listed Company: Ishihara Sangyo Kaisha, Ltd.
Code: 4028 URL <http://www.iskweb.co.jp>
Representative: (Title) President (Name) Kenichi Tanaka
Contact: (Title) Director (Name) Yoshinari Terakawa Tel +81-6-6444-1850
Scheduled date of securities report submission: November 10, 2016
Scheduled date of dividend payment commencement: —

(Any amount less than one million yen is rounded down to the nearest million yen or nil.)

1. Consolidated Financial Results for Second Quarter of Fiscal Year Ended March 31, 2017(April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results

(Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
2Q, 2016	51,211	-3.1	1,831	-47.5	3	-99.9	-794	—
2Q, 2015	52,834	4.6	3,486	39.6	2,360	13.5	1,553	-17.4

(Note) Comprehensive income: as of September 30, 2016: -2,380million yen(— %),
as of September 30, 2015: 1,163million yen (10.4 %)

	Net income per share		Net income per share after full dilution	
	Yen		Yen	
2Q, 2016	-19.85		—	
2Q, 2015	38.84		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	millions of yen	Millions of yen	%
2Q, 2016	158,226	59,216	37.4
Year ended March 31, 2016	165,050	61,597	37.3

(Reference) Equity capital: as of September 30, 2016: 59,216million yen, as of March 31, 2016: 61,597 million yen

2. Dividends

(Record date)	Dividends per share				
	June 30 (Q1-end)	September 30 (Q2-end)	December 31 (Q3-end)	March 31 (Year-end)	Annual
Year ended March 31, 2016	—	0.00	—	0.00	0.00
Year ended March 31, 2017	—	0.00	—	0.00	0.00
Year ending March 31, 2017 (Forecast)	—	—	—	0.00	0.00

(Note) Modification in the dividend forecast for current quarter: No modification

3. Forecast for Consolidated Results for the Full Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(Percentages represent forecasted changes from the previous year for the full year results, and forecasted changes from the same period in the previous year for the interim results.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	99,000	-3.8	4,500	-45.9	2,500	-65.8	1,300	-86.3	32.51

(Note) Modification in the dividend forecast for current quarter: Modified

4. Other information

- (1) Significant changes in subsidiaries during the period
(changes in specified subsidiaries resulting in the change in consolidation scope): No change
- (2) Adoption of simplified accounting treatment and special accounting treatment for quarterly consolidated statement: Not adopted
- (3) Changes in accounting principles, procedures, and the method of presentation
 - 1) Changes due to revisions of accounting standards etc. : Adopted
 - 2) Changes other than those defined in 1) above : Not adopted
 - 3) Changes in accounting procedures : Not adopted
 - 4) Changes in the method of presentation : Not adopted
- (4) Issued shares (common shares)
 - 1) Issued shares as of period-end (including repurchased treasury shares)
As of September 30, 2016: 40,383,943 shares As of March 31, 2016: 40,383,943 shares
 - 2) Number of shares of treasury stock as of period-end
As of September 30, 2016: 403,642 shares As of March 31, 2016: 401,966 shares
 - 3) Average number of outstanding shares during period
2Q 2016: 39,981,325 shares 2Q 2015:39,985,394 shares

Notes on proper use of forecast and other matters

The forecast of financial results presented in this document is the result of management's assessment based upon currently available assumptions, prospects and plans for the future. Actual results and dividend payments may differ from these forecasts, due to risks and uncertain factors, such as the global economy, competition, and foreign currency fluctuations.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: millions of yen)

Account Category	As of March,2016 (summary)	As of September 2016
ASSETS		
Current Assets		
Cash and deposits	29,398	29,297
Notes and accounts receivable – trade	25,225	27,463
Merchandise and finished goods	34,317	28,093
Work in process	3,907	5,113
Raw materials and supplies	14,845	11,608
Deferred tax assets	1,096	1,024
Other	1,876	1,910
Allowance for doubtful accounts	-184	-202
Total current assets	110,483	104,308
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	17,501	17,363
Others, net	21,232	20,198
Total property, plant and equipment	38,733	37,562
Intangible assets	223	200
Investments and other assets		
Investment securities	5,338	6,097
Deferred tax assets	8,014	8,078
Net defined benefit asset	16	14
Other	2,433	2,128
Allowance for doubtful accounts	-193	-163
Total investments and other assets	15,610	16,155
Total non-current assets	54,567	53,917
Total Assets	165,050	158,226

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(Unit: millions of yen)

Account Category	As of March,2016 (summary)	As of September 2016
LIABILITIES		
Current Liabilities		
Notes and accounts payable – trade	10,341	13,453
Short-term loans payable	27,950	28,837
Current portion of bonds	280	280
Income taxes payable	571	335
Provision	1,698	1,386
Other	8,882	8,304
Total current liabilities	49,725	52,596
Non-current liabilities		
Bonds payable	560	420
Long-term loans payable	35,167	28,132
Provision	1,086	1,081
Net defined benefit liability	12,957	12,739
Other	3,956	4,040
Total non-current liabilities	53,727	46,413
Total Liabilities	103,453	99,009
NET ASSETS		
Shareholders' equity		
Capital stock	43,420	43,420
Capital surplus	10,626	10,626
Retained earnings	10,062	9,268
Treasury shares	-702	-703
Total shareholders' equity	63,407	62,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	243	284
Deferred gains or losses on hedges	—	—
Foreign currency translation adjustment	-1,272	-2,928
Remeasurements of defined benefit plans	-780	-752
Total accumulated other comprehensive income	-1,809	-3,395
Total net assets	61,597	59,216
Total Liabilities and Net Assets	165,050	158,226

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(2) Consolidated Statements of Income

(Unit: millions of yen)

Account Category	Q2 2015 (April 1,2015 to September 30,2015)	Q2 2016 (April 1,2016 to September 30,2016)
Net sales	52,834	51,211
Cost of sales	38,216	38,818
Gross profit	14,617	12,392
Selling, general and administrative expenses	11,131	10,560
Operating income	3,486	1,831
Non-operating income		
Interest income	16	16
Dividend income	77	56
Gain sales of raw materials	133	74
Other	149	128
Total non-operating income	377	275
Non-operating expenses		
Interest expenses	728	600
Share of loss of entities accounted for using equity method	440	193
Foreign exchange losses	118	1,079
Other	215	230
Total non-operating expenses	1,503	2,104
Ordinary income	2,360	3
Extraordinary loss		
Impairment loss	—	75
Loss on disposal of non-current assets	241	321
Other	9	7
Total extraordinary loss	250	405
Income (loss) before income taxes and minority interests	2,109	-401
Income taxes-current	371	276
Income taxes – deferred	185	115
Total income taxes	556	392
Net income	1,553	-794
Profit (loss) attributable to owners of parent	1,553	-794

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(Unit: millions of yen)

Account Category	Q2 2015 (April 1,2015 to September 30,2015)	Q2 2016 (April 1,2016 to September 30,2016)
Profit (loss)	1,553	-794
Other comprehensive income		
Valuation difference on available-for-sale securities	-151	40
Deferred gains or losses on hedges	-0	—
Foreign currency translation adjustment	-187	-1,555
Remeasurements of defined benefit plans, net of tax	28	28
Share of other comprehensive income of entities accounted for using equity method	-79	-99
Total other comprehensive income	-389	-1,586
Comprehensive income	1,163	-2,380
(Breakdown)		
Comprehensive income attributable to owners of parent	1,163	-,2380

(3) Statement of Consolidated Cash Flows

(Unit: millions of yen)

Account Category	Previous consolidated FY (April 1, 2015 to September 30, 2015)	Current consolidated FY (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,109	-401
Depreciation and amortization	2,878	2,416
Impairment loss		75
Increase (decrease) in allowance for doubtful accounts	-21	-3
Increase (decrease) in net defined benefit liability	161	-137
Increase (decrease) in reserve for loss from Ferosilt removal	-1,210	—
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	-231	-15
Increase (decrease) in other provision	17	-299
Interest and dividend income	-94	-73
Interest expenses	728	600
Foreign exchange losses (gains)	142	30
Share of (profit) loss of entities accounted for using equity method	440	193
Loss (gain) on disposal of noncurrent assets	142	150
Decrease (increase) in notes and accounts receivable-trade	-770	-3,867
Decrease (increase) in inventories	3,171	6,905
Decrease (increase) in other current assets	-281	235
Increase (decrease) in notes and accounts payable-trade	5,100	4,929
Increase (decrease) in other current liabilities	969	218
Other	42	6
Subtotal	13,297	10,962
Interest and dividends income received	93	66
Interest expenses paid	-749	-605
Proceeds from insurance income	33	11
Income taxes paid	-669	-733
Cash flows from operating activities	12,004	9,702

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(Unit: millions of yen)

Account Category	Previous consolidated FY (April 1, 2015 to September 30, 2015)	Current consolidated FY (April 1, 2016 to September 30, 2016)
Cash flows from investing activities		
Payments into time deposits	- 0	-0
Purchase of investment securities	-54	-1,127
Purchase of non-current assets	-889	-1,721
Proceeds from sales of non-current assets	220	224
Payments of loans receivable	-265	-175
Collection of loans receivable	174	46
Others	23	4
Cash flows from investing activities	-790	-2,748
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-110	373
Proceeds from long-term loans payable	200	650
Repayments of long-term loans payable	-8,699	-7,079
Redemption of bonds	-140	-140
Repayments of lease obligations	-298	-290
Repayments of installment payables	—	-40
Proceeds from deposits received	901	884
Repayment of deposits payable	-1,152	-988
Net decrease (increase) in treasury shares	-3	-1
Cash flows from financing activities	-9,301	-6,631
Effect of exchange rate change on cash and cash equivalents	63	-423
Net increase (decrease) in cash and cash equivalents	1,976	-101
Cash and cash equivalents at beginning of period	21,281	29,208
Cash and cash equivalents at end of period	23,257	29,107

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6. Segment Information

【Business Segment Information】

2Q of Fiscal Year Ended March 31, 2016(April 1, 2015 to September 30, 2015)

(1)Information relating sales, profits, losses, for each reporting unit

(Unit: millions of yen)

	Inorganic Chemicals	Organic Chemicals	Other Businesses	Total	Elimination/Corporate	Consolidated
Sales						
(1) Sales to external customers	25,581	25,571	1,682	52,834	—	52,834
(2) Intersegment sales and transfers	—	—	533	533	-533	—
Total	25,581	25,571	2,215	53,368	-533	52,834
Segment profit	2,851	1,471	-30	4,292	-805	3,486

(Note) 1. Adjustment include the following items

- (1) Adjustment in segment profit (- ¥ 805million) includes elimination of transaction between segments(¥ 80million) and corporate expenses not allocated to reporting segments(- ¥ 885million). Corporate expenses mainly comprise general expenses not allocated segments.
- (2) Segment profits are adjusted with the operating profit reported on the consolidated profit and loss statement for 1ST half of Fiscal Year Ended March 31, 2016(April 1, 2015 to September 30, 2015).

(2) Geographical information

Net Sales

(Unit: millions of yen)

Japan	Asia	America	Europe	Other	Total
22,543	8,719	6,629	14,769	171	52,834

(Note) 1. Net sales by geographic segment are based on nations or regions where customers reside.

2. Grouping of countries and regions is based on the geographic proximity and relevance of businesses.

Countries and regions included in each geographic segment are follows, excluding Japan:

- (1) Asia : China, Taiwan, South Korea, Thailand, Indonesia, and Singapore
- (2) Americas : United States of America, Canada, Brazil, Argentina, and Mexico
- (3) Europe : Germany, Netherlands, France, the United Kingdom, Belgium, Italy, and East Europe and Middle East regions
- (4) Other : Australia, New Zealand and Africa

(3) Information concerning impairment loss or goodwill on fixed assets by segment

We do not note any significant changes.

【Business Segment Information】

2Q of Fiscal Year Ended March 31, 2017(April 1, 2016 to September 30, 2016)

(1)Information relating sales, profits, losses, for each reporting unit

(Unit: millions of yen)

	Inorganic Chemicals	Organic Chemicals	Other Businesses	Total	Adjustment	Amount reported on consolidated financial statements
Sales						
(1) Sales to external customers	22,875	26,750	1,585	51,211	—	51,211
(2) Intersegment sales and transfers	—	—	869	869	-869	—
Total	22,875	26,750	2,454	52,080	-869	51,211
Operating income or operating loss (-)	1,586	987	124	2,699	-867	1,831

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(Note) 1. Adjustment include the following items

- (1) Adjustment in segment profit (- ¥ 867million) includes elimination of transaction between segments(¥ 29million) and corporate expenses not allocated to reporting segments(- ¥ 897million). Corporate expenses mainly comprise general expenses not allocated segments.
- (2) Segment profit are adjusted with the operating profit reported on the consolidated profit and loss statement for 2Q of Fiscal Year Ended March 31, 2017(April 1, 2016 to September30, 2016)

(2)Geographical information

Net Sales					(Unit: millions of yen)	
Japan	Asia	America	Europe	Other	Total	
20,909	7,642	6,586	15,967	105	51,211	

(Note) 1. Net sales by geographic segment are based on nations or regions where customers reside.

2. Grouping of countries and regions is based on the geographic proximity and relevance of businesses.

Countries and regions included in each geographic segment are follows, excluding Japan:

- (1) Asia : China, Taiwan, South Korea, Thailand, Indonesia, and Singapore
- (2) Americas : United States of America, Canada, Brazil, Argentina, and Mexico
- (3) Europe : Germany, Netherlands, France, the United Kingdom, Belgium, Italy, and East Europe and Middle East regions
- (4) Other : Australia, New Zealand and Africa

(3) Information concerning impairment loss or goodwill on noncurrent assets by segment

(Significant impairment loss on noncurrent assets)

In the Inorganic Chemicals segment and the Organic Chemicals segment, we posted a fixed asset impairment loss of 62 million yen for machineries and 13 million yen for equipment.

Note that the amount of impairment loss posted for the second quarter cumulative period under review is 75 million yen.