

Non-Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending June 30, 2017
[Japanese GAAP]

February 10, 2017

Company name: KeePer Technical Laboratory Co., Ltd.
 Stock exchange listings: Tokyo Stock Exchange, Nagoya Stock Exchange
 Code number: 6036
 URL: <http://www.keepercoating.jp/corp/>
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 Scheduled date of filing quarterly securities report: February 13, 2017
 Scheduled date of commencing dividend payments: —
 Supplementary documents for quarterly financial results: None
 Quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Financial Results for the First Half of the Fiscal Year Ending June 30, 2017 (July 1, 2016 to December 31, 2016)

(1) Operating Results (% figures indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|------------------------------------|-------------|------|------------------|------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended December 31, 2016 | 3,797 | 6.2 | 689 | 6.0 | 688 | 5.7 | 422 | 0.9 |
| December 31, 2015 | 3,575 | 17.2 | 650 | 17.2 | 651 | 17.9 | 418 | 22.3 |

| | Net income per share | Diluted net income per share |
|------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended December 31, 2016 | 58.85 | 58.56 |
| December 31, 2015 | 62.18 | 60.06 |

Note: On October 1, 2015, the Company executed a 2-for-1 stock split of common shares. Net income per share and diluted net income per share are calculated assuming said stock split was conducted at the beginning of the previous fiscal year.

(2) Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2016 | 5,679 | 3,691 | 65.0 |
| June 30, 2016 | 5,222 | 3,712 | 71.1 |

(Reference) Equity: As of December 31, 2016: ¥3,691 million
 As of June 30, 2016: ¥3,712 million

2. Dividends

| | Annual dividends | | | | |
|-----------------------------|--------------------|--------------------|--------------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended or ending | Yen | Yen | Yen | Yen | Yen |
| June 30, 2016 | — | 3.00 | — | 9.00 | 12.00 |
| June 30, 2017 | — | 0.00 | | | |
| Fiscal year ending | | | — | 15.00 | 15.00 |
| June 30, 2017 (forecast) | | | | | |

(Note) Revision to the dividend forecast announced most recently: None

(Note) Breakdown of dividend on December 31, 2015: Commemorative dividend of ¥3.0

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2017 (July 1, 2016 to June 30, 2017)

(% figures indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|-----------|-------------|-----|------------------|------|-----------------|------|-------------|-----|-------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 7,200 | 9.3 | 900 | 10.3 | 900 | 10.6 | 550 | 4.0 | 77.43 |

(Note) Revision to the financial results forecast announced most recently: None

Notes:

(1) Adoption of Accounting Methods Specific to Preparation of Quarterly Financial Statements :

None

(2) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to the revision of accounting standards: None
- 2) Changes in accounting policies other than 1): None
- 3) Changes in accounting estimates: Yes
- 4) Restatements: None

(3) Number of shares issued (common stock)

1) Number of shares issued and outstanding at end of period (including treasury stock):

December 31, 2016: 7,033,410 shares
June 30, 2016: 7,309,900 shares

2) Number of shares of treasury stock issued and outstanding at end of period:

December 31, 2016: 39 shares
June 30, 2016: 90 shares

3) Average number of shares during the period (cumulative period):

December 31, 2016: 7,171,377 shares
December 31, 2015: 6,728,089 shares

(Note) On October 1, 2015, the Company executed a 2-for-1 stock split of common shares. The number of shares issued (common stock) is calculated assuming said stock split was conducted at the beginning of the previous fiscal year.

Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

Explanation of the proper use of financial results forecast and other notes

The earnings projections and other forward-looking statements herein are based on certain assumptions determined reasonable in light of the information available when these materials were announced. Accordingly, actual results, performance, etc., may differ significantly from the listed estimates due to a variety of factors. With regard to the matters related to the underlying assumptions for forecasts, please refer to page 4 of the attached documents to the Financial Results for the Period under Review, "1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Financial Results Forecast and Other Forward-Looking Information."

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Operating Results

In the first six months of the fiscal period under review (July 1, 2016 to December 31, 2016), the Japanese economy continued to drift toward a gradual recovery. However, issues surrounding the UK vote to leave the EU and the impact of the US presidential election heightened uncertainties in overseas economies, prolonging unpredictable conditions with respect to future developments.

Within this environment, the Company improved current performance by maintaining and raising to new heights the quality of KeePer coating provided to users and placed the highest importance on enhancing KeePer branding efforts aimed at realizing future developments.

Based on this policy, in KeePer product-related businesses, the Company conducted activities including training sessions to enhance technical capabilities ahead of December, when demand for car washes and coating are the highest all year. They also visited all KeePer PROSHOPS to confirm quality levels and that qualified technicians are in place. Also, **Winter KeePer Championships** were held in December at all KeePer PROSHOPS among other proactive initiatives aimed at maintaining and improving the level of KeePer Coating skills throughout Japan.

In the KeePer LABO management business, the establishment of a branch department and teamwork aimed at developing new branches successfully resulted in the opening of new branches in Mito Uchihara (Ibaraki Prefecture), Suzuka Tamagaki (Mie Prefecture), Fukui Owada (Fukui Prefecture) and Nishi-Kumamoto (Kumamoto Prefecture) in November 2016, and Katano (Osaka), Amagasaki (Hyogo Prefecture) and Fukuyama (Hiroshima Prefecture) in December 2016. In addition, the Company is completely renovating the Kariya Branch. Furthermore, the Geino Aeon and Tsu branches are being consolidated. Going forward, the Company will accelerate new branch openings and conduct renovations at existing branches.

In terms of branding activities, as part of KeePer branding efforts and measures supporting the December **KeePer Championships**, in October we produced PROSHOP-branded tissues, which we gave out to customers. Approximately 220,000 boxes were distributed throughout Japan. Furthermore, with regard to television commercials, which in the past had been run every year in April, this fiscal year the Company allocated ¥50 million in advance, approximately 50% of the television commercial budget, to November and December, the time of year when demand is highest.

As a result of these efforts, results for the first half of the fiscal year under review were net sales of ¥3,797 million (up 6.2% YoY), operating income of ¥689 million (up 6.0% YoY) and ordinary income of ¥688 million (up 5.7% YoY). Despite the recognition of an extraordinary loss due to a loss on retirement of non-current assets in line with the closure of the Geino Aeon branch and renovation of the Kariya branch, net income was ¥422 million (up 0.9% YoY).

In the cumulative second quarter of the fiscal year under review, despite recording personnel expenses of approximately ¥33 million as an expense related to the opening of new branches, rent expenses and depreciation of approximately ¥30 million, and other advertising expenses totaling approximately ¥96 million, the Company was able to secure its forecast level of profits.

1) KeePer product-related businesses

In the oil sales industry, which accounts for the largest share of this segment, major movements to curtail the consumption of fossil fuels due to global warming are causing a steady decline in sales. This trend has resulted in an increasing need for gasoline station management to strengthen earnings in non-oil products (known as non-oil earnings). KeePer products have been rising in prominence as one of the most realistic and effective means of increasing non-oil earnings, making them a promising proposition.

Given this environment, the Company is engaged in activities that include conducting training sessions onsite at KeePer PROSHOPS and KeePer workshops to maintain or improve the level of KeePer coating technologies as well as visiting all KeePer PROSHOPS to confirm **Level One coating technician** placement and inspect the workshop

environment. Also, in December 2016, the Company held KeePer Championships. The number of points earned per KeePer coating workshop increased compared to events held in the past, indicating that the degree of success at each branch is on the rise.

As a result of these activities, shipments of main products **DIAMOND KeePer chemicals** and **resin 2** increased 9.8% compared to the previous fiscal year. In addition, technically certified KeePer PROSHOPS, one indicator of growth in this business, expanded by 461 branches year on year to a total of 5,300 branches as of December 31, 2016.

These efforts resulted in segment sales of ¥2,473 million (up 2.8% YoY) and segment profit of ¥521 million (down 8.3% YoY). However, this includes internal transactions amounting to ¥82 million, which after deduction, resulted in profits of ¥438 million (down 10.3% YoY).

2) KeePer LABO management business

In the first quarter, the Company was affected by unseasonable weather. In the second quarter, the weather was comparatively stable, enabling earnings to remain on track. Core KeePer Coating products continued to expand, and in December customer visits to existing stores in particular grew 4% year on year, while at the same time average unit prices at existing stores rose 4%. These increases were driven by increased KeePer name recognition after the Company listed its shares on the First Section of the Tokyo Stock Exchange as well as increased trust from consumers. Also, traditionally strong-selling CRYSTAL KeePer sales increased 7.4% year on year at existing stores while at the same time a relatively larger number of customers opted for the high added value and higher cost DIAMOND KeePer, sales of which increased 26.4% year on year at existing stores, driving up overall average unit prices. As a result, the number of branches that did ¥10 million or more in sales for the month of December increased to 12 branches. The Adachi branch set a new record for monthly sales, bringing in ¥19,559,339 and very nearly reaching the ¥20 million mark, a whole new level in record sales.

In terms of newly opened KeePer LABO branches, the Company's listing on the First Section of the Tokyo Stock Exchange raised social credibility and provided numerous opportunities to open branches at CAINZ and other leading home improvement centers, shopping centers and automotive shops. At the same time, the Company made comprehensive revisions to the methods and procedures it traditionally used to develop new properties, establishing a branch department and engaging in teamwork aimed at developing new branches, which successfully resulted in the opening of new branches in Mito Uchihara (Ibaraki Prefecture), Suzuka Tamagaki (Mie Prefecture), Fukui Owada (Fukui Prefecture) and Nishi-Kumamoto (Kumamoto Prefecture) in November 2016, and Katano (Osaka), Amagasaki (Hyogo Prefecture) and Fukuyama (Hiroshima Prefecture) in December 2016. These systems and activities enable the development and construction of new branches and the closing of branches at a rapid pace totally unlike anything the Company has achieved in the past.

In addition, the Kariya Branch is undergoing comprehensive renovations.

Another noteworthy development is the Company's extremely smooth establishment of new branches. In the previous fiscal year, the Company had gotten off to a noticeably weak start in terms of branch openings in Western Japan, causing conditions in which the development of new branches had to be temporarily slowed down. However, there has been a remarkable improvement in terms of new branch openings in the fiscal year under review, proceeding at a level from which it will be easy to achieve breakeven. Branch creation as a new branding stance has been received favorably, and the creation of a system for new branch sales promotions has led to the development of sales promotion methods and other know-how. Going forward, the Company has decided to open new branches in Sapporo Teine, Oyama, Omiya, Akishima, Nagakute, Kita-Nagoya and Yokkaichi, and is considering additional locations.

Accordingly, the planned number of branch openings in the fiscal year ending June 30, 2017, has been revised upward from 12 branches to 16 branches.

These efforts resulted in first-half segment sales of ¥1,323 million (up 13.2% YoY) and segment profit of ¥251 million (up 55.4% YoY). This figure includes expenses of ¥82 million from internal transactions.

(2) Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

At the end of the first half of the fiscal year under review, total assets were ¥5,679 million, up ¥457 million from the end of the previous fiscal year. This rise was mainly due to a ¥307 million increase in accounts receivable—trade, a ¥271 million increase in property, plant and equipment from the opening of new branches, a ¥116 million increase in investments and other assets and a ¥233 million decrease in cash and deposits.

(Liabilities)

At the end of the first half, total liabilities came to ¥1,988 million, up ¥477 million from the end of the previous fiscal year. This growth was mainly due to a ¥183 million increase in the current portion of long-term loans payable, which includes a ¥378 million increase in borrowings to purchase treasury stock, a ¥170 million increase in accounts payable—other and a ¥54 million increase in income taxes payable.

(Net assets)

At the end of the first half, net assets totaled ¥3,691 million, down ¥20 million from the end of the previous fiscal year. This change was mainly due to a ¥356 million increase in retained earnings and a ¥378 million decrease due to the purchase and cancellation of Company shares held by a retired director.

2) Cash Flows

As of the end of the first half under review, cash and cash equivalents amounted to ¥1,462 million, a decrease of ¥233 million compared to the end of the previous fiscal year.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥426 million, up ¥315 million from the first half of the previous fiscal year. The main source of cash was ¥634 million in income before income taxes, while the main use of cash was an increase in notes and accounts receivable—trade of ¥338 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥439 million, up ¥77 million from the first half of the previous fiscal year. The main uses of cash were the purchase of property, plant and equipment amounting to ¥312 million and ¥64 million in payments for lease and guarantee deposits.

(Cash flow from financing activities)

Net cash used in financing activities amounted to ¥220 million, up ¥90 million from the first half of the previous fiscal year. The principal source of cash was long-term loans of ¥378 million, while the main uses of cash were ¥378 million for the purchase treasury shares and ¥154 million for the repayment of long-term loans payable.

(3) Financial Results Forecast and Other Forward-Looking Information

Regarding the financial results forecast for the fiscal year ending June 30, 2017, there are no changes to the financial results forecast announced on August 10, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Adoption of Accounting Methods Specific to Preparation of Quarterly Financial Statements

None

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Changes in Accounting Estimates)

(Changes in estimates related to the method of calculation for retirement benefit obligations)

From the first quarter of the fiscal year under review, the Company changed the calculation method for retirement benefit obligations from the simplified to the standard treatment. In line with an increase in the number of employees, this change will heighten the accuracy of calculating retirement benefit obligations, making it more appropriate for the periodical accounting of profit and loss with respect to retirement benefit expenses.

In accordance with these changes, the provision for retirement benefits at the beginning of the fiscal year under review increased ¥12,783 thousand, which was recorded as an extraordinary loss.

(3) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

From the first quarter of the fiscal year under review, the Company has applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Statement No. 26, March 28, 2016).

(3) Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Thousands of yen)

| | As of June 30, 2016 | As of December 31, 2016 |
|--|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,695,654 | 1,462,539 |
| Notes receivable - trade | 154,949 | 185,929 |
| Accounts receivable - trade | 580,357 | 888,302 |
| Merchandise | 415,695 | 426,569 |
| Supplies | 26,415 | 28,907 |
| Prepaid expenses | 109,703 | 48,768 |
| Deferred tax assets | 23,712 | 22,282 |
| Other | 13,380 | 6,708 |
| Allowance for doubtful accounts | (823) | (754) |
| Total current assets | 3,019,046 | 3,069,252 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 1,052,840 | 1,286,939 |
| Structures, net | 91,788 | 98,209 |
| Machinery and equipment, net | 83,406 | 78,497 |
| Vehicles, net | 32,381 | 35,660 |
| Tools, furniture and fixtures, net | 69,715 | 91,718 |
| Land | 459,729 | 459,729 |
| Construction in progress | 405 | 10,862 |
| Total plant, property and equipment | 1,790,268 | 2,061,617 |
| Intangible assets | | |
| Goodwill | 1,951 | 1,301 |
| Software | 25,291 | 21,176 |
| Other | 25,037 | 48,807 |
| Total Intangible assets | 52,280 | 71,284 |
| Investments and other assets | | |
| Investment securities | 15,440 | 17,060 |
| Long-term prepaid expenses | 16,299 | 26,862 |
| Lease and guarantee deposits | 146,102 | 209,533 |
| Construction assistance fund receivables | 42,866 | 89,393 |
| Insurance funds | 13,907 | 13,907 |
| Deferred tax assets | 105,992 | 120,295 |
| Other | 20,030 | 30 |
| Total investments and other assets | 360,638 | 477,082 |
| Total non-current assets | 2,203,186 | 2,609,984 |
| Total assets | 5,222,232 | 5,679,236 |

(Thousands of yen)

| | As of June 30, 2016 | As of December 31, 2016 |
|---|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable—trade | 155,755 | 122,404 |
| Current portion of long-term loans payable | 180,096 | 363,999 |
| Accounts payable—other | 143,627 | 314,025 |
| Income taxes payable | 197,040 | 251,408 |
| Accrued expenses | 85,168 | 107,052 |
| Provision for bonuses | 16,691 | 16,038 |
| Other | 48,598 | 50,432 |
| Total current liabilities | 826,978 | 1,225,361 |
| Non-current liabilities | | |
| Long-term loans payable | 295,916 | 335,279 |
| Provision for retirement benefits | 124,873 | 148,968 |
| Provision for directors' retirement benefits | 213,335 | 220,661 |
| Asset retirement obligations | 45,075 | 53,785 |
| Other | 4,043 | 4,043 |
| Total non-current liabilities | 683,244 | 762,737 |
| Total liabilities | 1,510,222 | 1,988,098 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,344,189 | 1,344,328 |
| Capital surplus | 1,007,224 | 1,007,224 |
| Retained earnings | 1,360,363 | 1,338,142 |
| Treasury shares | (144) | (61) |
| Total shareholders' equity | 3,711,633 | 3,689,632 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 376 | 1,504 |
| Total valuation and translation adjustments | 376 | 1,504 |
| Total net assets | 3,712,009 | 3,691,137 |
| Total liabilities and net assets | 5,222,232 | 5,679,236 |

(2) Quarterly Statements of Income

Six Months Ended December 31

(Thousands of yen)

| | For the six months ended December 31, 2015 | For the six months ended December 31, 2016 |
|--|---|---|
| Net sales | 3,575,864 | 3,797,309 |
| Cost of sales | 1,125,073 | 1,114,249 |
| Gross profit | 2,450,790 | 2,683,059 |
| Selling, general and administrative expenses | 1,800,541 | 1,993,559 |
| Operating income | 650,248 | 689,500 |
| Non-operating income | | |
| Interest income | 388 | 278 |
| Dividend income | 773 | 180 |
| Foreign exchange gains | 2,055 | — |
| Commission fee | 890 | 2,050 |
| Other | 1,404 | 555 |
| Total non-operating income | 5,511 | 3,064 |
| Non-operating expenses | | |
| Interest expenses | 3,465 | 2,988 |
| Foreign exchange losses | — | 824 |
| Loss on valuation of derivatives | 934 | — |
| Other | — | 164 |
| Total non-operating expenses | 4,399 | 3,977 |
| Ordinary income | 651,360 | 688,586 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1,202 | 1,336 |
| Total extraordinary income | 1,202 | 1,336 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 4,359 | 20,845 |
| Retirement benefit expenses | — | 12,783 |
| Impairment loss | — | 16,248 |
| Loss on store closings | — | 5,295 |
| Total extraordinary losses | 4,359 | 55,173 |
| Income before income taxes | 648,203 | 634,749 |
| Income taxes—current | 232,109 | 226,045 |
| Income taxes—deferred | (2,275) | (13,364) |
| Income taxes | 229,833 | 212,681 |
| Net income | 418,369 | 422,068 |

(3) Quarterly Statements of Cash Flows

(Thousands of yen)

| | For the six months ended December 31, 2015 | For the six months ended December 31, 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 648,203 | 634,749 |
| Depreciation | 72,272 | 79,102 |
| Impairment loss | — | 16,248 |
| Increase (decrease) in allowance for doubtful accounts | (657) | (68) |
| Increase (decrease) in provision for point card certificates | (5,598) | — |
| Increase (decrease) in provision for retirement benefits | 12,679 | 24,094 |
| Increase (decrease) in provision for directors' retirement benefits | 7,684 | 7,326 |
| Interest and dividend income | (1,161) | (458) |
| Foreign exchange losses (gains) | 999 | (185) |
| Loss (gain) on valuation of derivatives | 934 | — |
| Interest expenses | 3,465 | 2,988 |
| Loss (gain) on sales of non-current assets | 3,157 | 19,508 |
| Loss on store closings | — | 5,295 |
| Decrease (increase) in notes and accounts receivable—trade | (318,096) | (338,924) |
| Decrease (increase) in inventories | (189,478) | (13,364) |
| Increase (decrease) in notes and accounts payable—trade | 59,945 | (33,350) |
| Decrease (increase) in prepaid expenses | 44,729 | 60,934 |
| Increase (decrease) in accounts payable—other | (110,011) | 105,776 |
| Increase (decrease) in accrued expenses | 2,925 | 21,883 |
| Other | 7,450 | 20,557 |
| Subtotal | 239,442 | 612,114 |
| Interest and dividend income received | 1,161 | 458 |
| Interest expenses paid | (3,465) | (2,988) |
| Income taxes paid | (125,739) | (182,622) |
| Net cash provided by (used in) operating activities | 111,398 | 426,961 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (307,559) | (312,600) |
| Proceeds from sales of property, plant and equipment | 1,367 | 7,357 |
| Purchase of intangible assets | (22,489) | (26,322) |
| Collection of loans receivable | — | 115 |
| Payments for lease and guarantee deposits | (35,202) | (64,066) |
| Proceeds from collection of lease and guarantee deposits | 734 | 635 |
| Payments of construction assistance fund receivables | — | (30,000) |
| Other | 1,437 | (14,579) |
| Net cash provided by (used in) investing activities | (361,713) | (439,459) |
| Cash flows from financing activities | | |
| Proceeds from long-term loans payable | — | 378,000 |
| Repayments of long-term loans payable | (136,999) | (154,734) |
| Proceeds from exercise of share options | 32,990 | 139 |
| Purchase of treasury shares | (62) | (378,419) |
| Cash dividends paid | (26,176) | (65,788) |
| Net cash provided by (used in) financing activities | (130,246) | (220,802) |

| | (Thousands of yen) | |
|---|---|---|
| | For the six months ended December 31, 2015 | For the six months ended December 31, 2016 |
| Effect of exchange rate change on cash and cash equivalents | (999) | 185 |
| Net increase (decrease) in cash and cash equivalents | (381,560) | (233,115) |
| Cash and cash equivalents at beginning of period | 1,396,102 | 1,695,654 |
| Cash and cash equivalents at end of period | 1,014,542 | 1,462,539 |

(4) Notes on Quarterly Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes in the Case of Significant Changes in Shareholders' Equity)

Based on a resolution of the Board of Directors on September 14, 2016, in the first half of the fiscal year under review, the Company purchased 278,000 treasury shares for ¥378,358 thousand. Additionally, based on a resolution of the Board of Directors on October 6, 2016, in the first half of the fiscal year under review, the Company retired 278,090 treasury shares. The book value of the retired treasury shares was ¥378,502 thousand, which was deducted from retained earnings. As a result, at the end of the first half of the fiscal year under review, retained earnings amounted to ¥1,338,142 thousand and treasury shares amounted to ¥61 thousand.

(Segment Information, etc.)

For the six months ended December 31, 2015

1. Information on net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | Total |
|----------------------------------|-----------------------------------|---------------------------------|-----------|
| | KeePer product-related businesses | KeePer LABO management business | |
| Net sales | | | |
| Sales to outside customers | 2,406,653 | 1,169,211 | 3,575,864 |
| Inter-segment sales or transfers | 135,254 | — | 135,254 |
| Total | 2,541,907 | 1,169,211 | 3,711,118 |
| Segment income | 568,401 | 161,551 | 729,952 |

2. Reportable segment total profit or loss, difference from quarterly income statement amount and main reason for difference (matters concerning difference adjustment)

(Thousands of yen)

| Profit | Amount |
|--|----------|
| Reportable segment total | 729,952 |
| Elimination of intersegment transactions | (79,703) |
| Operating income in the quarterly income statement | 650,248 |

(Note) Intersegment sales of ¥135,254 thousand are from KeePer product-related businesses to the KeePer LABO management business. KeePer product-related businesses segment income of ¥568,401 thousand includes profit from intersegment sales of ¥79,703 thousand.

For the six months ended December 31, 2016

1. Information on net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | Total |
|----------------------------------|-----------------------------------|---------------------------------|-----------|
| | KeePer product-related businesses | KeePer LABO management business | |
| Net sales | | | |
| Sales to outside customers | 2,473,707 | 1,323,602 | 3,797,309 |
| Inter-segment sales or transfers | 133,191 | — | 133,191 |
| Total | 2,606,898 | 1,323,602 | 3,930,500 |
| Segment income | 521,135 | 251,046 | 772,181 |

2. Reportable segment total profit or loss, difference from quarterly income statement amount and main reason for difference (matters concerning difference adjustment)

(Thousands of yen)

| Profit | Amount |
|--|----------|
| Reportable segment total | 772,181 |
| Elimination of intersegment transactions | (82,681) |
| Operating income in the quarterly income statement | 689,500 |

(Note) Intersegment sales of ¥133,191 thousand are from KeePer product-related businesses to the KeePer LABO management business. KeePer product-related businesses segment income of ¥521,135 thousand includes profit from intersegment sales of ¥82,681 thousand.

3. Information on impairment loss of noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss of non-current assets)

In the KeePer LABO management business segment, an impairment loss on branch assets was recorded.

This impairment loss amounted to ¥16,248 thousand in the first half of the fiscal year under review.

(Important Subsequent Events)

None.