

**Financial Results
Presentation for the
Second Quarter of
the Fiscal Year
Ending June 30,
2017**



KeePer Technical Laboratory Co., Ltd.
(Stock code: 6036) Industry category:
Services

Making a new car-wash culture in Japan

High-quality car wash and coating that appeal to the strong sense of aesthetics inherent among Japanese are part of the car beautification business spreading across Japan. Making cars more beautiful provides customers throughout Japan with happiness that we all share.

We will create a unique car wash culture in Japan with happy workplaces that instill pride at all shops throughout Japan involved in the car beautification business.

Simultaneously realizing customer satisfaction (CS) and employee satisfaction (ES).



Profit and Loss

Unit: Millions of yen

		2Q June 2016	Sales ratio	2Q June 2017	Sales ratio	YoY increase/ decrease	YoY increase/d ecrease (%)
Net sales		3,575		3,797		221	6.2%
	KeePer products, etc. Related business	2,406	67.3%	2,473	65.1%	67	2.8%
	KeePer LABO Managed business	1,169	32.7%	1,323	34.9%	154	13.2%
Operating income		650	18.2%	689	18.2%	39	6.0%
Ordinary income		651	18.2%	688	18.1%	37	5.7%
Net income		418	11.7%	422	11.1%	3	0.9%

Second Quarter 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 brand branding efforts aimed at realizing future developments.

Based on this policy, in KeePer product-related businesses this quarter, 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, in October, as part of KeePer branding efforts and measures supporting the December KeePer Championships, PROSHOP tissues were created and given to users as a gift. 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, the cumulative results of the second quarter in 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 ensure earnings forecast profits.

Balance Sheet

Unit: millions of yen

		Fiscal year ended June 30, 2016	Composition ratio	2Q fiscal year ending June 30, 2017	Composition ratio	Increase/decrease at end of previous fiscal year	Increase/decrease at end of previous fiscal year
Current assets		3,019	57.8%	3,069	54.0%	50	1.7%
	Cash and deposits	1,695	32.5%	1,462	25.8%	▲233	▲13.7%
	Notes and accounts receivable - trade	735	14.1%	1,074	18.9%	338	46.1%
Non-current assets		2,203	42.2%	2,609	46.0%	406	18.5%
	Property, plant and equipment	1,790	34.3%	2,061	36.3%	271	15.2%
	Investments and other assets	360	6.9%	477	8.4%	116	32.3%
Current liabilities		826	15.8%	1,225	21.6%	398	48.2%
	Current portion of long-term loans payable	180	3.4%	363	6.4%	183	102.1%
Non-current liabilities		683	13.1%	762	13.4%	79	11.6%
Net assets		3,712	71.1%	3,691	65.0%	▲20	▲0.6%
	Shareholders' equity	3,711	71.1%	3,689	65.0%	▲22	▲0.6%
Total assets		5,222	100.0%	5,679	100.0%	457	8.8%

Note: Although retained earnings increased ¥356million, net assets decreased slightly due to the purchase and cancellation of 278,000 shares in the company held by a director who retired. Also, as the entire amount of capital was borrowed from a financial institution, current liabilities and non-current liabilities increased.

About Seasonal Variations

KeePer business is affected by distinct seasonal variations that impact sales and profit differently in each quarter.

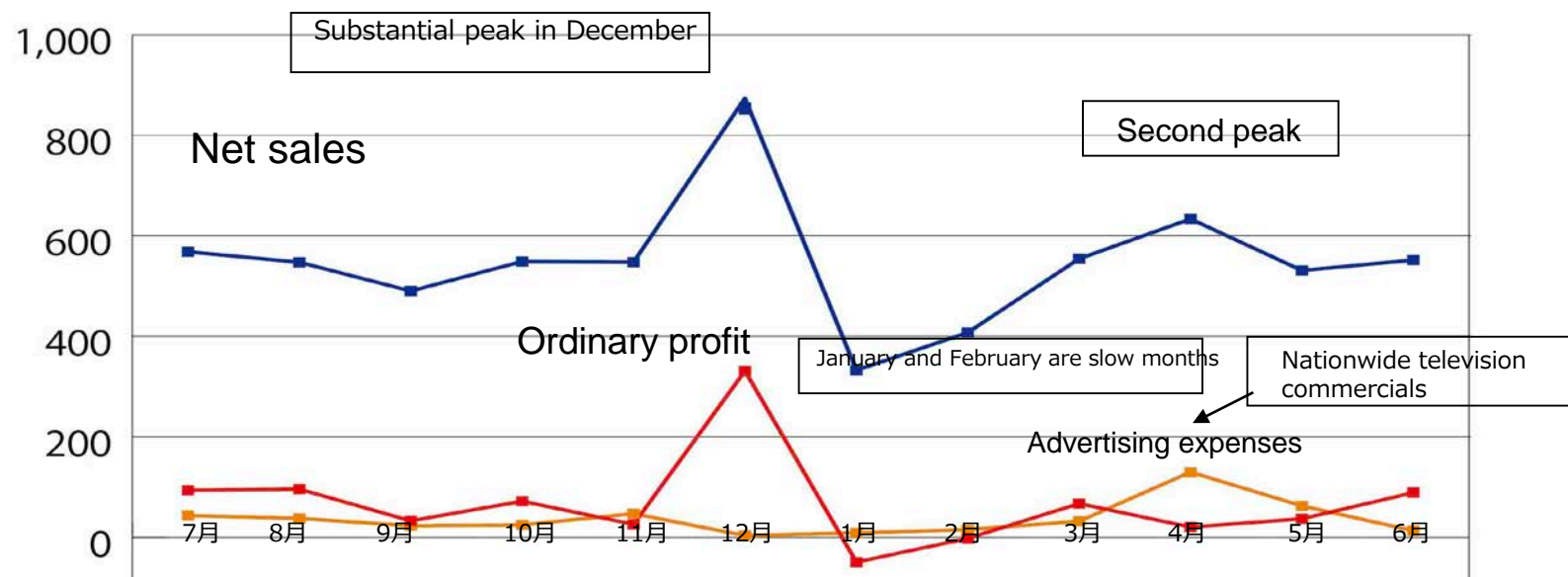
First quarter (July–September) • Average sales and profit.

Second quarter (October–December) • October and November are average, but in December net sales and profit increase substantially due the distinctive Japanese custom of cleaning one's cars before the New Year.

Third quarter (January–March) • After the upsurge in December, January and February are the slowest months. However, business picks up in March, resulting in a flat year-on-year results in the third quarter.

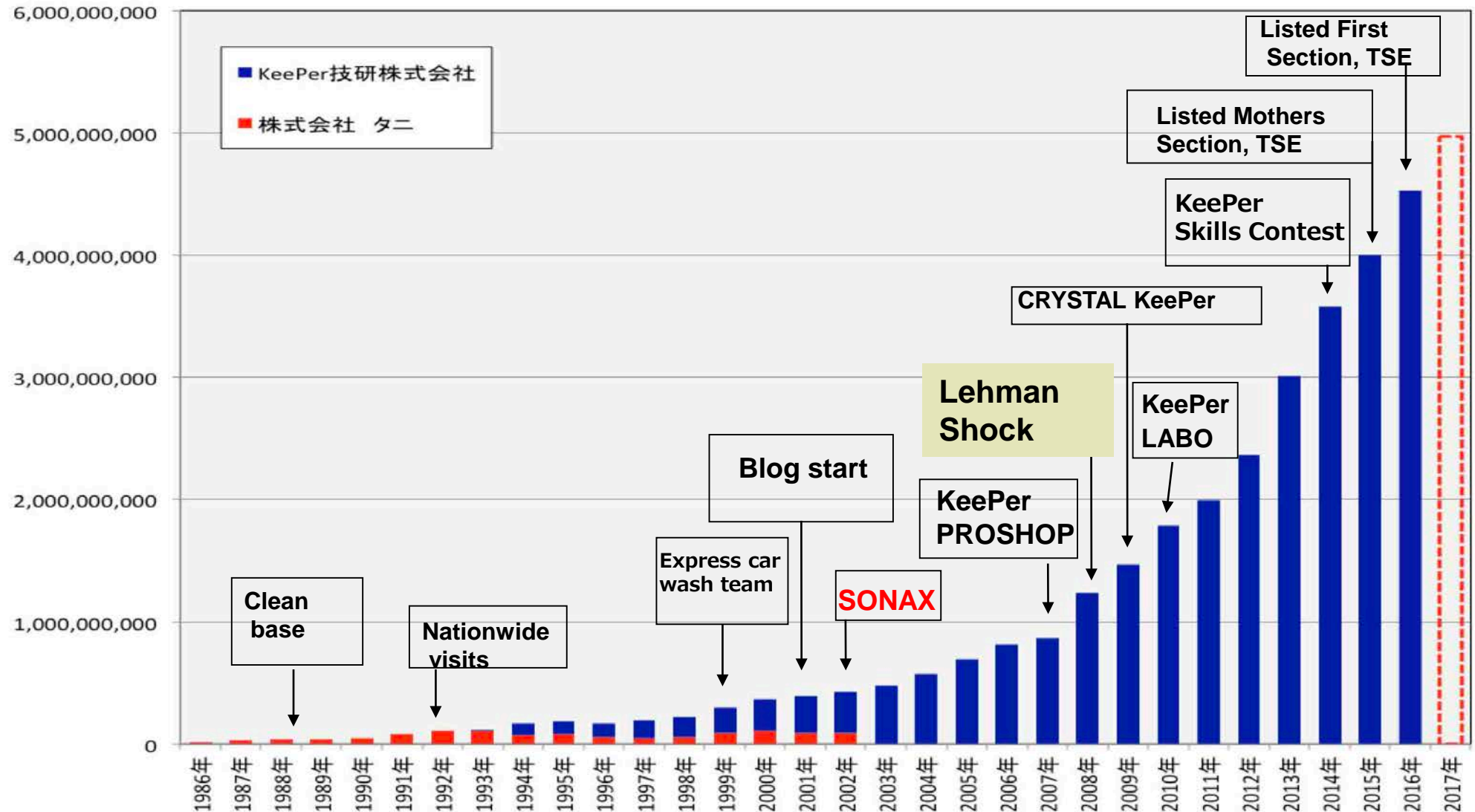
Fourth quarter (April–June) • An average period, but many new cars debut in April and television commercial advertising costs are the lowest, thus we run television commercials during this season every year.

• These distinct seasonal variations result in a situation where the majority of profit for the fiscal year is realized at the end of the second quarter.



Gradual Increases Over 30 Years

Gross Profit



Aug KeePer LABO Mitaka branch(Tokyo)



Nov KeePer LABO Nishi-Kumamoto branch (Kumamoto Prefecture)



Nov KeePer LABO Suzuka Tamagaki branch (Mie Prefecture)



Nov KeePer LABO Mito Uchihara branch (Ibaraki Prefecture)



Nov KeePer LABO Fukui Owada branch
(Fukui Prefecture)



Dec KeePer LABO Katano branch (Osaka)



Dec KeePer LABO Amagasaki branch
(Hyogo Prefecture)



Dec KeePer LABO Fukuyama branch
(Hiroshima Prefecture)



Profit/loss

Unit: millions of yen

	Fiscal year ended June 30, 2016	Sales ratio	Fiscal year ending June 30, 2017	Sales ratio	YoY increase/ decrease	YoY increase /decrease (%)
Net sales	6,586		7,200		614	9.3%
Operating income	815	12.4%	900	12.5%	85	10.3%
Ordinary income	813	12.4%	900	12.5%	87	10.6%
Net income	528	8.0%	550	7.6%	22	4.0%

We are promoting more aggressive business development with the aim of establishing and promulgating the KeePer brand. The forecast for each segment is as follows.

In KeePer product-related businesses, continuing on from last fiscal year, we anticipate an increase in core product DIAMOND KeePer chemical, resin 2 and other glass body coating chemical products. Also, we will vigorously engage in activities to increase repeat customers by enhancing skill levels in KeePer Coating workshops focused mainly on KeePer PROSHOPS and attempting to improve products and quality. We plan on solidly increasing sales by expanding Baku Tsuya and Express Wash 7, which went on sale in the previous fiscal year, and there are high expectations for Mineral Off, which went on sale in July 2016.

In terms of the KeePer LABO business, we will surely achieve the opening of 16 new branches scheduled for this fiscal year. We are also proactively working to open additional branches above and beyond these plans.

Six branches opened in the fiscal year before last are driving rapid expansion in their second and third years, while the six branches opened in the previous fiscal year will be augmented with 16 branches set to open this fiscal year, which are expected to contribute to sales. We are also moving forward with renovations at branches conducted based on the number of years since they were opened. For these reasons, this year we expect to maintain or exceed the previous year's rate of increase in sales.

In terms of expenses, we plan on an increase in rent expenses and depreciation due to the opening of 16 new branches, as well as an upsurge in personnel expenses from the increase in staff resulting from the prospect of a greater number of new branch openings.

In light of these factors, our full fiscal year forecast calls for net sales of ¥7.2 billion (up 9.3% YoY), operating income of ¥0.9 billion (up 10.3% YoY) and ordinary income of ¥0.9 billion (up 10.6% YoY). We also expect extraordinary losses, etc., due to changes in the provision for retirement benefits calculation method resulting from the increase in personnel. Accordingly, we expect net income of ¥550 million (up 4.0% YoY).

Indicators

Units: Yen/%

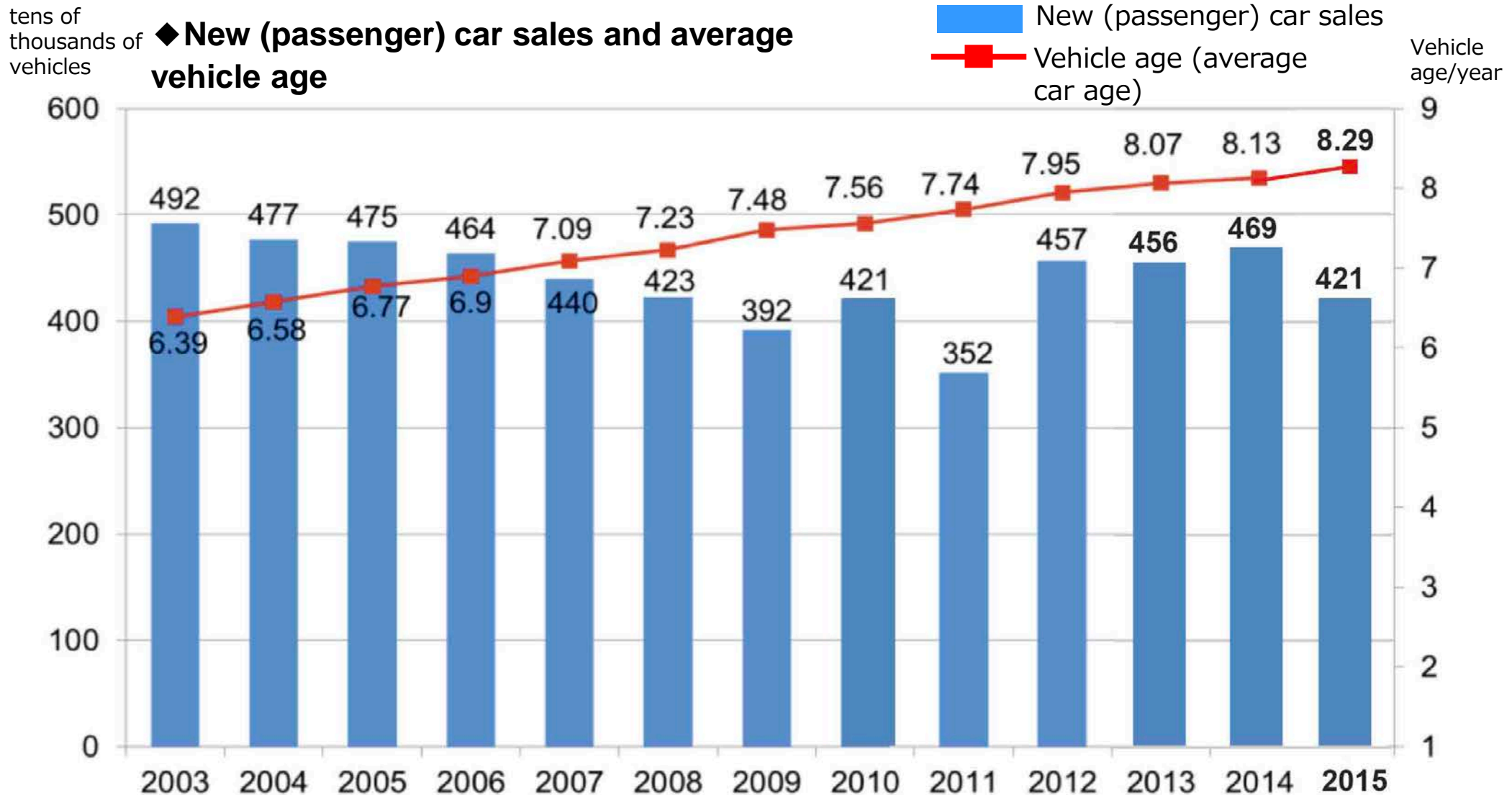
		Fiscal year ended June 30, 2016	Fiscal year ending June 30, 2017 (forecast)
Per share information	EPS	76.47	77.43
Operating indicator	Recurring profit margin	12.4%	12.5%
Financial indicator	ROE	16.8%	14.8%

(Notes)

1. On October 1, 2015, the Company executed a 2-for-1 stock split of common shares. Profit per share is calculated assuming said stock split was conducted at the beginning of the previous fiscal year ended June 30, 2016.
2. Financial indicators used to calculate shareholders' equity are calculated based on figures at the end of each fiscal year.

Statistical Data: Users Drive Cars for a Longer Period of Time

New (passenger) car sales have returned to 2008 (Lehman Shock) levels; the average age of cars is also increasing.



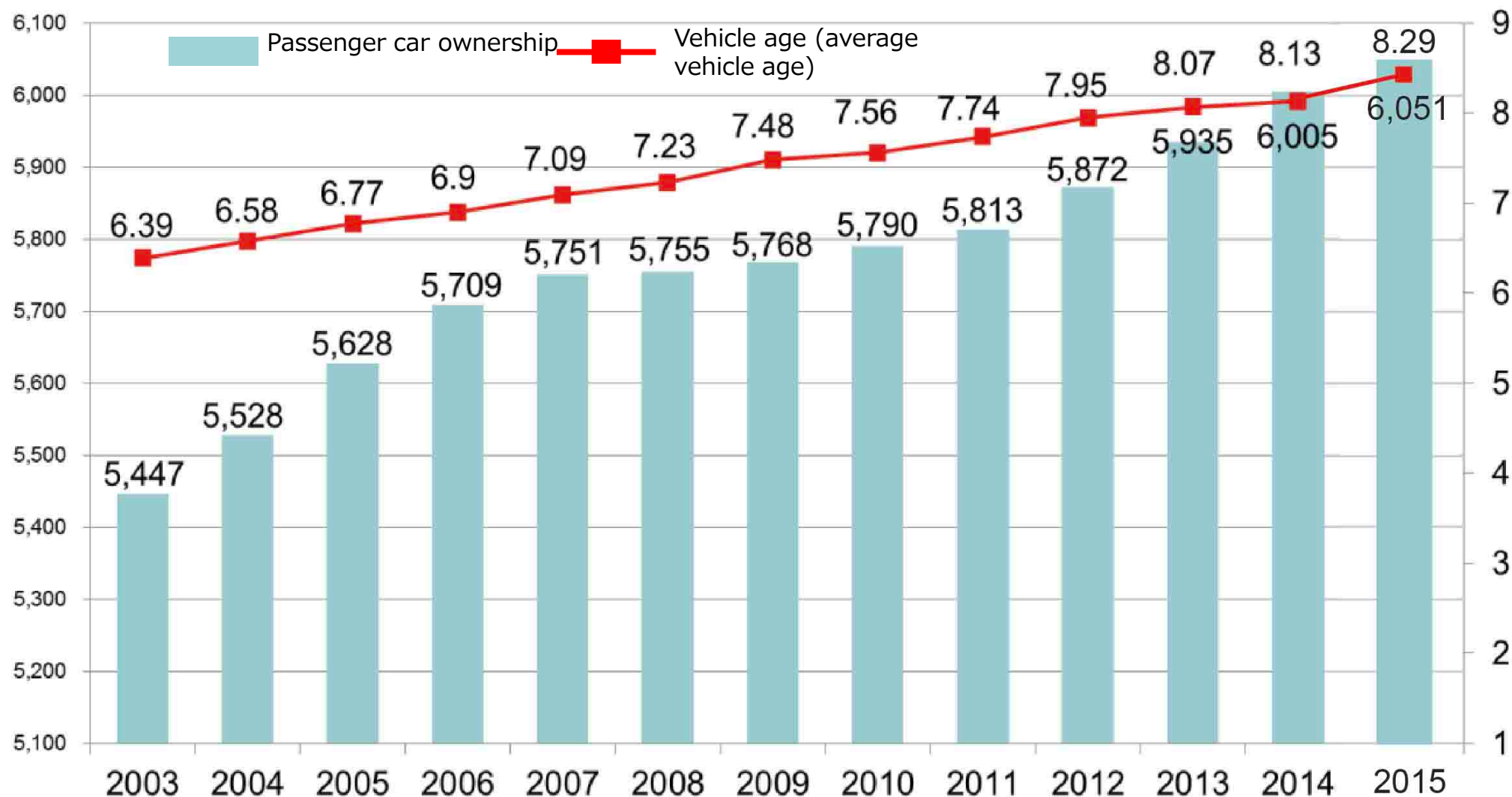
Reference: Japan Automobile Dealers Association, Automobile Inspection & Registration Information Association

Passenger car ownership continues to rise

Average vehicle age has also grown from 6.39 years in 2003 to 8.29 years; aftermarket is also expanding

Ten thousand cars

Vehicle age/year



Reference: Automobile Inspection & Registration Information Association

New Branch Openings

2月 KeePer LABO Shikatsu branch (Aichi Prefecture)



3月 KeePer LABO Yokkaichi branch (Mie Prefecture)



3月 KeePer LABO Nagakute branch (Aichi Prefecture)



4月 KeePer LABO Oyama branch (Tochigi Prefecture)



New Branch Openings

4月 KeePer LABO Akishima branch (Tokyo)



5月 KeePer LABO Omiya branch (Saitama Prefecture)



5月 KeePer LABO Teine branch (Hokkaido)



【Medium-term Targets】

Targets for the fiscal year ending June 30, 2018

KeePer LABO (directly managed) Open 16 new branches in fiscal 2017

Currently revising plans for fiscal 2018

KeePer LABO existing branch sales Maintain 110% or higher YoY

Establish KeePer brand

Recurring profit margin Maintain at or around 10%

【Priority Measures】

KeePer LABO Management Business

- Strengthen new branch openings

KeePer Product-Related Businesses

- Expand KeePer technical training infrastructure and enhance instructors
- Develop promotion activities using video
- Improve existing chemical products and develop new products

■ KeePer LABO and KeePer PROSHOP Relationship of Co-Existence

- Among customers who receive first service at KeePer LABO, many (approximately 50%) receive their second and subsequent service at a nearby convenient KeePer PROSHOP.
- The proactive opening of KeePer LABO branches significantly contribute to invigorating KeePer product-related businesses.

■ Innumerable KeePer PROSHOP signs and shopfront sales raise awareness of KeePer. This is a huge plus for KeePer LABO.

- At KeePer PROSHOPS across Japan, sales are conducted using signage, in-store flyers and pamphlets that raise awareness about KeePer and are a huge plus for KeePer LABO management.

■ Synergies Between KeePer LABO management business and KeePer product-related businesses

- As indicated above, there is a relationship of co-existence and co-prosperity between KeePer LABO and KeePer PROSHOPS, which create synergies that are on of the Company's strengths.

☐ Basic policy on profit distribution

- Our basic policy is to strengthen our corporate structure and expand internal reserves for future business development while continuing to provide dividends in accordance with business performance.
- With regard to internal reserve capital, we will make an effort to maintain and improve the level of our dividend to shareholders over the long term, making use of the strength of our financial structure to expand business.
- In line with the above policy, we aim to pay a dividend payout ratio of 20% to clearly indicate the importance we place on returning profits to shareholders.

☐ Dividend Forecast

- In light of the above policy, in the fiscal year ending June 30, 2017, we plan to pay a full-year dividend of 15.0 yen per share, an increase of 3.0 yen per share over the full-year dividend of 12.0 yen paid in the fiscal year ended June 30, 2016.

	End of second quarter	Fiscal year end	Full-year	Dividend payout ratio
Fiscal year ending June 30, 2017 (plan)	—	15.0yen	15.0yen	19.2%
Fiscal year ended June 30, 2016	3.0yen	9.0yen	12.0yen	15.7%

- Shareholders' Benefit Program

- The aim of this program is to show our appreciation for the daily support of our customers and heighten the appeal of our stock to encourage as many people as possible to hold Company shares over the medium-to long-term.
- We present gift cards that can be used at KeePer LABO (directly managed) branches across Japan. (For shareholders who do not live near a KeePer LABO, we provide a Quo Card exchange program)
- On February 24, 2016, we announced the following expansion to our shareholders' benefit program.

Number of shares held	Benefit details	Exchange program
100 or more shares to 1,000 or fewer shares	20% off all KeePer LABO service products	¥3,000 Quo Card
1,000 or more shares to 2,000 or fewer shares	25% off all KeePer LABO service products	
2,000 or more shares to 10,000 or fewer shares	30% off all KeePer LABO service products	
10,000 or more shares	37% off all KeePer LABO service products	

Precautions Regarding these Materials

- These materials were created to facilitate an understanding of current business conditions and are provided to investors for reference purposes.
- These materials contain forecasts related to the Company, future plans and management objectives. These forward-looking statements are current assumptions of future conditions. The Company cannot guarantee the accuracy of these assumptions. For a variety of reasons, actual performance may differ from the content herein.
- When making an investment, please do so at your own discretion.

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