

## Summary of Financial Statements for the Second Quarter of the Fiscal Year 2011 [Japan GAAP]

November 12, 2010  
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.  
 Code number 6834 URL <http://www.seikoh-giken.co.jp>  
 Representative (Title) President & CEO (Name) Masatoshi Ueno  
 Inquiries (Title) Administration Unit Director (Name) Haruo Yanase Tel. +81-047-388-6401  
 Due date of quarterly financial statements submission November 12, 2010  
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

### 1. Consolidated business results for the second quarter of fiscal 2010 (April 1, 2010 to September 30, 2010)

#### (1) Consolidated business performance (accumulated total) (Percentage figures show the changes from the previous Second quarter.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2010	2,467	6.8	(113)	—	(122)	—	(568)	—
Six months ended September 30, 2009	2,310	(41.9)	(507)	—	(407)	—	(338)	—

	Net profit per share		Fully diluted net profit per share	
	Yen		Yen	
Six months ended September 30, 2010	(62.19)		—	
Six months ended September 30, 2009	(36.98)		—	

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 31, 2010	20,675	19,385	93.8	2,120.96
Fiscal year ended March 31, 2010	21,660	20,079	92.7	2,196.82

(Reference) Shareholders' equity Six months ended September 30, 2009 19,385 million yen Fiscal year ended March 31, 2010 20,079 million yen

### 2. Dividend status

	Dividend per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the year	Full year
	Yen				
Fiscal year ended March 31, 2010	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2011	—	0.00	—	—	—
Fiscal year ending March 31, 2012 (Forecast)	—	—	—	0.00	0.00

Note: Revision to the forecast for the dividend during the current third quarter: None

### 3. Forecast of consolidated business performance for the year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentage figures for "Full year" show the changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	4,830	3.1	(195)	—	(135)	—	(745)	—	(81.51)

Note: Revision to the forecast for the figures of consolidated business performance during the current third quarter: Exist

#### 4. Others

(1) Transfer of important subsidiaries during the current period: None

(2) Simplified accounting procedures and special accounting procedures applied in preparing the quarterly consolidated financial statements: Exist

(3) Changes in principle, procedure, display method, etc. relating to accounting procedures applied in preparing the consolidated financial statements

1) Changes according to the amendment of accounting standards, etc.: Exist

2) Changes other than 1): None

(4) Number of shares issued (common stocks)

1) Number of shares issued at the end of the period (Treasury stocks included):

[Six months ended September 30, 2010] 9,333,654 shares / [Fiscal year ended March 31, 2010] 9,333,654 shares

2) Number of treasury stocks at the end of the period:

[Six months ended September 30, 2010] 193,595 shares / [Fiscal year ended March 31, 2009] 193,532 shares

3) Average number of shares during the period (Accumulated quarterly consolidated period):

[Six months ended September 30, 2010] 9,140,113 shares / [Six months ended September 30, 2009] 9,140,172 shares

#### \*Indication of progress status of quarterly report review procedures

This quarterly financial report is not subject to the quarterly financial report review procedures pursuant to the Financial Instruments and Exchange Act, but as of the time of disclosure of this quarterly financial report, the quarterly report review procedures were being implemented pursuant to the Financial Instruments and Exchange Act.

#### \*Explanation of appropriate use of performance forecasts and other notes

Statements in this material regarding the future, such as performance forecasts, are based to a certain extent on information available to the Company at the time and rational decision-making, but the actual performance could vary widely from these statements due to a variety of factors. Regarding items relating to performance forecasts, please refer to “(3) Qualitative Information Regarding Consolidated Performance Forecasts” on page 3 of the Quarterly Financial Report (Appendix).

○ Appendix Table of Contents

1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter	2
(1) Qualitative Information Regarding the Consolidated Operation Results	2
(2) Qualitative Information Regarding the Consolidated Financial Status	3
(3) Qualitative Information Regarding the Consolidated Performance Forecasts	3
2. Other Information	3
(1) Summary of Changes to Significant Subsidiaries	3
(2) Summary of Simplified Accounting Procedures and Special Accounting Procedures	3
(3) Summary of Changes to Accounting Procedure Principles, Procedures, Presentation Method, Etc.	3
3. Consolidated Quarterly Financial Statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated Quarterly Income Statement	6
(Second Quarter Consolidated Reporting Period)	6
(Second Quarter Consolidated Accounting Period)	7
(3) Consolidated Quarterly Cash Flow Statement	8
(4) Note Regarding the Going Business Assumption	10
(5) Note Regarding Significant Change in Shareholders' Equity	10
(6) Note Regarding Significant Subsequent Events	10

## 1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter

## (1) Qualitative Information Regarding the Consolidated Operation Results

The global economy during the second quarter consolidated reporting period saw a worsening of the economic slowdown in the United States and Europe while emerging countries continued to grow, led by China. Although the Japanese economy continued to recover slowly, the prolonged strength of the yen has hit the performance of companies, especially in export-related industries, so employment and incomes are still low and the future remains uncertain.

In the telecommunications and digital consumer electronics industries, of which the Seikoh Giken Group is a part, sales are good due to the Eco Point system instituted by the government and domestic sales of flat-screen TVs compatible with digital terrestrial broadcasting. However, the market prices for digital consumer electronics for general consumers fell sharply and companies must compete in the increasingly severe global market.

In response, the Seikoh Giken Group aims to build a sound structure that is profitable under any economic environment and so this year launched Master Plan 2010, a new 5-year long-term business plan, with the vision "To become the best partner for customers around the world centering on precision machining – the only enterprise that customers need to grow". The Group is undertaking comprehensive reforms focusing on three areas: "Restructuring operations" to build a strong business structure, "Expanding operations" to strengthen our sales and product development capabilities, and "Organizational transformation" to make fast, good decisions.

During this second quarter consolidated reporting period we focused on "Restructuring operations" and "Organization transformation" based on the long-term business plan under Master Plan 2010.

In June, employees who had been employed continuously for at least 1 year were offered the opportunity to retire, and 39 people who requested this retirement retired on July 20. In September, Seikoh Giken Hong Kong Co., Ltd., a sales company established in 2006, was made dormant. Other restructuring efforts included focusing on selected development projects to speed up the creation of new businesses and reduce R&D expenses.

In July, the Precision Products & Engineering Division and Fiber Optics Products Division, which had been separate organizations, were reorganized by function into sales, engineering and development, and manufacturing units. In the current re-organization, organizational units were made smaller and management accounting methods were introduced for each unit to identify their respective profitability and build an efficient organization that can achieve business targets.

In terms of sales, efforts were made to both retain existing customers and develop new customers for the precision products segment led by optical disc molds and the fiber optics products segment led by optical communications components and related manufacturing equipment. As a result, consolidated sales for the second quarter consolidated reporting period were ¥2,467,737 thousand (up 6.8% from the same period of the previous year). Regarding profits, fixed expenses were reduced and further cost reductions made in accordance with the Master Plan 2010 long-term business plan, but an operating loss of ¥113,443 thousand (operating loss of ¥507,506 thousand for the same period of the previous year) was posted. In addition, the effect of recording non-operating losses, such as interest earned discounts and exchange losses, resulted in an ordinary loss of ¥122,287 thousand (ordinary loss of ¥407,532 thousand for the same period of the previous year). A net loss of ¥568,461 thousand (net loss of ¥338,018 thousand for the same period of the previous year) was recorded for the quarter due to the special retirement premium accompanying recruitment for early retirement and a special loss accompanying impairment of some fixed assets.

The performance by segment was as follows.

## ① Precision Products

The capacity utilization and capital investment motivation of optical disc molding companies remain stagnant, so the demand for optical disc molds and maintenance is low, leading to sales of ¥464,983 thousand. An operating loss of ¥201,086 thousand was posted due to low sales despite various efforts to reduce fixed expenses at headquarters and cut costs.

## ② Fiber Optic Products

The optical communications related market continues to expand slowly led by developing countries, which boosted demand for fiber optic connectors and equipment to manufacture them and led to sales of ¥2,002,754 thousand. An operating profit of ¥87,642 thousand was posted as a result of increased profitability of consolidated subsidiaries in China and various efforts to reduce fixed expenses at headquarters and cut costs.

(2) Qualitative Information Regarding the Consolidated Financial Status

Total assets at the end of the current second quarter consolidated fiscal period were ¥20,675,078 thousand, down ¥984,990 thousand from the end of the previous consolidated fiscal year, while liquid assets were 15,054,131 thousand, down ¥600,135 thousand. This decrease was due to a fall in cash and deposits accompanying a change in the payment method. Fixed assets were ¥5,620,947 thousand, down ¥384,854 thousand from the end of the previous consolidated fiscal year, mainly due to further impairment of plant and equipment and depreciation.

Total liabilities at the end of the current second quarter consolidated fiscal period were ¥1,289,396 thousand, down ¥291,484 thousand from the end of the previous consolidated fiscal year, mainly due to a decrease in accounts payable.

Total net assets at the end of the current second quarter consolidated fiscal period were ¥19,385,681 thousand, down ¥693,506 thousand from the end of the previous consolidated fiscal year, mainly due to a decrease in accumulated earnings from posting a net loss for the current quarter.

(3) Qualitative Information Regarding the Consolidated Performance Forecasts

The earnings forecast for the year announced on May 14, 2010 was revised. For details, refer to the "Announcement Regarding the Difference Between the second Quarter Fiscal Period Earnings Forecast and Actual Results and the Earnings Forecast Revision for the Year Ending March 31, 2011."

2. Other Information

(1) Summary of Changes to Significant Subsidiaries

There were no notable changes.

(2) Summary of Simplified Accounting Procedures and Special Accounting Procedures

• Simplified Accounting Procedures

For those assets subjected to the declining-balance method, the fixed asset depreciation expense is calculated by proportionally dividing the depreciation expense for the corresponding consolidated fiscal year.

(3) Summary of Changes to Accounting Procedure Principles, Procedures, Presentation Method, Etc.

• Changes to Accounting Standard Related Items

(Application of Accounting Standards to Asset Disposal Liabilities)

Starting with the first quarter consolidated fiscal period, the "Accounting Standards to Asset Disposal Liabilities" (Business Accounting Standard No.18, March 31, 2008) and "Application Guidelines for Accounting Standards to Asset Disposal Liabilities" (Business Accounting Standards Application Guidelines No.21, March 31, 2008) have been applied starting with the first quarter consolidated fiscal period. This application has had no effect on profit and loss.

## 3. Consolidated Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Thousands of yen)

	At the end of the current second quarter (as of September 30, 2010)	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,616,751	13,331,995
Notes and accounts receivable-trade	1,429,730	1,197,020
Merchandise and finished goods	193,783	217,228
Work in process	328,960	349,725
Raw materials and supplies	279,288	322,763
Income taxes receivable	11,155	22,977
Other	196,810	215,602
Allowance for doubtful accounts	(2,349)	(3,046)
<b>Total current assets</b>	<b>15,054,131</b>	<b>15,654,266</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	3,890,638	3,910,151
Accumulated depreciation	(2,283,730)	(2,238,323)
Buildings and structures, net	1,606,907	1,671,827
Machinery, equipment and vehicles	2,212,582	2,369,637
Accumulated depreciation	(1,939,099)	(1,902,786)
Machinery, equipment and vehicles, net	273,482	466,850
Land	2,131,083	2,131,083
Other	2,078,183	2,177,840
Accumulated depreciation	(1,520,848)	(1,524,283)
Other, net	557,334	653,557
<b>Total property, plant and equipment</b>	<b>4,568,809</b>	<b>4,923,319</b>
<b>Intangible assets</b>		
Goodwill	—	7,639
Other	50,640	64,655
<b>Total intangible assets</b>	<b>50,640</b>	<b>72,295</b>
<b>Investments and other assets</b>		
Investment securities	12,895	15,336
Real estate for investment, net	865,559	869,055
Other	123,041	125,795
<b>Total investments and other assets</b>	<b>1,001,497</b>	<b>1,010,188</b>
<b>Total noncurrent assets</b>	<b>5,620,947</b>	<b>6,005,802</b>
<b>Total assets</b>	<b>20,675,078</b>	<b>21,660,069</b>

(Unit: Thousands of yen)

	At the end of the current second quarter (as of September 30, 2010)	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	252,821	253,217
Income taxes payable	33,048	32,318
Other	409,153	669,025
Total current liabilities	695,023	954,561
Noncurrent liabilities		
Provision for retirement benefits	307,624	328,534
Long-term accounts payable-other	145,389	147,490
Long-term guarantee deposited	119,931	128,497
Long-term lease deposited	19,037	19,037
Other	2,392	2,759
Total noncurrent liabilities	594,373	626,318
Total liabilities	1,289,396	1,580,880
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	2,831,716	3,400,178
Treasury stock	(427,177)	(427,143)
Total Shareholders' equity	19,767,641	20,336,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(3,607)	(1,012)
Foreign currency translation adjustment	(378,352)	(255,936)
Total valuation and translation adjustments	(381,959)	(256,948)
Total net assets	19,385,681	20,079,188
Total liabilities and net assets	20,675,078	21,660,069

(2) Consolidated Quarterly Income Statement  
(Second Quarter Consolidated Reporting Period)

(Unit: Thousands of yen)

	Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)	Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)
Sales amount	2,310,335	2,467,737
Cost of sales	1,758,736	1,664,667
Gross profit	551,599	803,070
Selling, general and administrative expenses	1,059,105	916,513
Operating loss	(507,506)	(113,443)
Non-operating income		
Interest income	42,561	20,396
Dividends income	220	222
Rent of real estate for investment	19,200	19,200
Other	50,697	13,340
Total non-operating income	112,679	53,160
Non-operating expenses		
Cost of real estate rent	6,607	6,128
Foreign exchange losses	4,721	53,307
Other	1,376	2,568
Total non-operating expenses	12,704	62,004
Ordinary loss	(407,532)	(122,287)
Extraordinary income		
Gain on sales of noncurrent assets	—	9,202
Reversal of allowance for doubtful accounts	—	496
Total extraordinary income	—	9,699
Extraordinary loss		
Loss on retirement of noncurrent assets	624	6,521
Loss on sales of noncurrent assets	469	1,726
Business structure improvement expenses	—	182,026
Impairment loss	—	239,530
Loss on valuation of investment securities	290	—
Total extraordinary losses	1,384	429,804
Net loss before taxes	(408,916)	(542,392)
Income taxes-current	7,369	24,713
Refund of income taxes for prior periods	(74,451)	—
Income taxes-deferred	8,294	1,355
Total income taxes	(58,787)	26,069
Loss before minority interests	—	(568,461)
Minority interests in loss	(12,109)	—
Net loss	(338,018)	(568,461)



(Second Quarter Consolidated Accounting Period)

(Unit: Thousands of yen)

	Three months ended September 30, 2009 (from July 1, 2009 to September 30, 2009)	Three months ended September 30, 2010 (from July 1, 2010 to September 30, 2010)
Sales amount	1,262,597	1,280,048
Cost of sales	944,503	840,372
Gross profit	318,094	439,676
Selling, general and administrative expenses	524,004	453,295
Operating loss	(205,910)	(13,618)
Non-operating income		
Interest income	21,427	10,223
Dividends income	26	36
Rent of real estate for investment	9,600	9,600
Other	27,167	3,081
Total non-operating income	58,221	22,941
Non-operating expenses		
Cost of real estate rent	3,303	3,064
Foreign exchange losses	8,735	26,025
Other	934	2,383
Total non-operating expenses	12,973	31,473
Ordinary loss	(160,661)	(22,150)
Extraordinary income		
Gain on sales of noncurrent assets	—	760
Total extraordinary income	—	760
Extraordinary loss		
Loss on retirement of noncurrent assets	624	710
Loss on sales of noncurrent assets	(10)	27
Business structure improvement expenses	—	34,059
Impairment loss	—	239,530
Loss on valuation of investment securities	290	—
Total extraordinary losses	903	274,327
Net loss before taxes	(161,565)	(295,717)
Income taxes-current	5,325	11,460
Income taxes-deferred	(659)	824
Total income taxes	4,665	12,285
Loss before minority interests	—	(308,002)
Minority interests in loss	(1,416)	—
Net loss	(164,815)	(308,002)

## (3) Consolidated Quarterly Cash Flow Statement

(Unit: Thousands of yen)

	Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)	Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)
Net cash provided by (used in) operating activities		
Net loss before taxes	(408,916)	(542,392)
Impairment loss	—	239,530
Depreciation and amortization	240,863	168,800
Amortization of goodwill	39,237	3,808
Interest and dividends income	(42,781)	(20,619)
Proceeds from rent income	(19,200)	(19,200)
Loss (gain) on sales of noncurrent assets	469	(7,476)
Loss on retirement of noncurrent assets	624	6,521
Loss (gain) on valuation of investment securities	290	—
Increase (decrease) in allowance for doubtful accounts	(1,156)	(496)
Increase (decrease) in long-term accounts payable-other	(1,100)	(2,100)
Increase (decrease) in provision for retirement benefits	28,001	(20,910)
Foreign exchange losses (gains)	(3,773)	4,939
Decrease (increase) in notes and accounts receivable-trade	221,406	(276,273)
Decrease (increase) in inventories	63,699	59,174
Decrease (increase) in other assets	70,930	2,701
Increase (decrease) in notes and accounts payable-trade	(237,058)	42,065
Increase (decrease) in accounts payable-other	—	(206,733)
Increase (decrease) in other liabilities	(55,973)	(32,779)
Subtotal	(104,438)	(601,441)
Interest and dividends income received	34,091	26,859
Income taxes refund	84,047	19,028
Income taxes paid	(17,177)	(35,091)
Net cash provided by (used in) operating activities	(3,477)	(590,644)
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,171,521)	(6,725,081)
Proceeds from withdrawal of time deposits	4,171,640	7,132,352
Purchase of property, plant and equipment	(180,662)	(163,075)
Proceeds from sales of property, plant and equipment	576	85,761
Purchase of intangible assets	(3,139)	—
Purchase of investment securities	(144)	(153)
Proceeds from rental of real estate for investment	19,200	19,200
Proceeds from collection of guarantee deposits	—	1,757
Payments for guarantee deposits	(35,583)	(532)
Other proceeds	4,076	—
Other payments	(1,563)	(1,517)
Net cash provided by (used in) investing activities	(197,120)	348,710

(Unit: Thousands of yen)

	Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)	Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(20,880)	—
Purchase of treasury stock	—	(34)
Cash dividends paid	(137,102)	—
Net cash provided by (used in) financing activities	(157,982)	(34)
Effect of exchange rate change on cash and cash equivalents	61,530	(61,064)
Net increase (decrease) in cash and cash equivalents	(297,049)	(303,033)
Cash and cash equivalents at beginning of period	2,218,619	1,671,388
Ending Balance of Cash and Cash Equivalents	1,921,570	1,368,355

(4) Note Regarding the Going Business Assumption  
No applicable items

(5) Note Regarding Significant Change in Shareholders' Equity  
No applicable items

(6) Note Regarding Significant Subsequent Events

Current Second Quarter Consolidated Financial Period (From July 1, 2010 to September 30, 2010)

(Recruitment of Volunteer Retirees)

At the board of directors meeting held on November 12, 2010, the Company decided to offer voluntary retirement.

1. Reasons for Offering Voluntary Retirement

As the business environment remains difficult due to slow demand and other factors, the Company has sought to reduce fixed assets and improve operational efficiency by adjusting human resources as part of its business restructuring. Nevertheless, further rationalization was deemed necessary, and so it was decided to offer voluntary retirement.

2. Overview of Voluntary Retirement

Applicable persons: Regular employees who have worked continuously for the company for at least 1 year

Number of people to be recruited: About 26

Recruitment period: December 15, 2010 to January 14, 2011

Retirement date: February 20, 2011

Incentives: In addition to retirement benefits, the Company is offering to pay a special retirement bonus and to provide reemployment support for voluntary retirees via a reemployment support company.

3. Effect on Profit and Loss

It is difficult at present to estimate the effect of this measure on the Company's future financial condition and business performance, but the Company does expect to post a corresponding extraordinary loss for the fiscal year ending March 31, 2011.