

Summary of Financial Statements for the First Quarter of the Fiscal Year 2014 [Japan GAAP]

August 9, 2013

Listed market: JASDAQ

Listed company name	SEIKOH GIKEN Co., Ltd.		
Code number	6834	URL	http://www.seikoh-giken.co.jp
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Due date of quarterly financial statements submission	August 9, 2013		
Date of dividend payment	—		

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the first quarter of fiscal 2014 (April 1, 2013 to June 30, 2013)

(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	%
Three months ended June 30, 2013	1,509	16.6	(80)	—	(62)	—	(99)	—
Three months ended June 30, 2012	1,294	7.0	(30)	—	(5)	—	(43)	—

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Three months ended June 30, 2013	(10.91)	—
Three months ended June 30, 2012	(4.79)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2013	22,756	19,716	86.6	2,155.31
Fiscal year ended March 31, 2013	20,826	19,576	93.9	2,140.34

(Reference) Shareholders' equity Three months ended June 30, 2013 19,699 million yen Fiscal year ended March 31, 2013 19,562 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	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	—	0.00	—	5.00	5.00
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		0.00	—	5.00	5.00

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, 2014 (April 1, 2013 to March 31, 2014)

(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
Half year	4,180	73.0	0	—	30	481.8	(100)	—	(10.94)
Full year	10,000	100.5	250	—	330	—	50	—	5.47

Note: Revision to the forecast for the figures of consolidated business performance during the current first quarter: None

4. Others

(1) Transfer of important subsidiaries during the current period (Transfer of specified subsidiaries necessary to change the range of consolidation): None

(2) Simplified accounting procedures and special accounting procedures applied in preparing the quarterly consolidated financial statements: None

(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.: None

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):

[Three months ended June 30, 2013] 9,333,654 shares / [Fiscal year ended March 31, 2013] 9,333,654 shares

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

[Three months ended June 30, 2013] 193,720 shares / [Fiscal year ended March 31, 2013] 193,720 shares

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

[Three months ended June 30, 2013] 9,139,934 shares / [Three months ended June 30, 2012] 9,139,983 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.

* Cautionary statement with respect to forward-looking statements

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. As for the preconditions underlying the results forecasts and matters to be observed in the use of the results forecasts, refer to the Summary of Quarterly Financial Statements, page 3, “(3) Explanation of consolidated results forecasts and forward-looking information.”

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

(1) Explanation of the operation results

The global economy in the period under review saw conditions in the U.S. proceed on a moderate recovery path while in Europe economic stagnation caused by the European debt crisis continued, which connected to slower growth in China and the emerging economies in Asia. Meanwhile in Japan, following a correction of the strong yen since the change of government at the end of last year, recovery momentum has been mounting centered on export-oriented industries.

In the markets for electronics and telecommunications relevant to the Group, mobile devices such as smart phone and tablet terminals have been proliferating at an accelerating pace. Efforts to accommodate the growth in global internet data traffic have been leading to technology advances allowing for increasingly higher transmission speeds and larger data volumes as well as investment in optical telecommunications cable networks and base stations for mobile phone frequencies. On the other hand, frequent model changes of mobile devices have brought rapid declines in device prices and end user services and intensifying competition in markets.

In this operating environment, the Group worked to retain existing customers and develop new customers for its two main product segments, which are comprised, firstly, of precision machinery related products which apply precision mold technology and precision machining technology centered on a diversity of molds, thin-walled molded components, and high heat-resistant lenses, and, secondly, optical products centered on components such as connectors for optical telecommunications network facilities, as well as the equipment for the manufacture of those components, and photo field sensors based on the special properties of optical fiber. During the period, in order to expand the molded-products business of precision machinery related operations, the Company acquired Fuji Electronics Industries Co., Ltd., which has since been added to the Group's consolidated subsidiaries. The acquisition of Fuji Electronics Industries Co., Ltd. with its strong customer base in the automotive industry has contributed to widening the Company's business expanse and has created group internal synergies, thereby enabling the creation of frameworks for achieving stable corporate growth.

As a result of these developments, consolidated net sales for the period under review posted 1,509,420 thousand yen (up 16.6% compared with the year-earlier period). In the absence of sales growth in relatively high-margin optical disk molds and high heat-resistant lenses, earnings marked an operating loss of 80,975 thousand yen (compared with an operating loss of 30,494 thousand yen in the year-earlier period). With an ordinary loss of 62,913 thousand yen (compared with a loss of 5,167 thousand yen in the year-earlier period) despite 25,777 thousand yen in foreign exchange gains, the net result for the period after income taxes and other deductions amounted to a net loss of 99,697 thousand yen (compared with a net loss of 43,764 thousand yen in the year-earlier period).

Segment results developed as follows.

(i) Precision machinery related products

In the period under review, consolidated sales of Blu-ray Disc molds, replacement parts, and mold maintenance services continued weak amid stagnating new investment at optical disc manufacturers. Moreover, high heat-resistant lenses for cameras integrated in smart phones and mobile phones saw new orders decline due to specification reviews caused by model changes at customers. In this environment, effective May 31, 2013, Fuji Electronics Industries Co., Ltd. was added to consolidated subsidiaries. Fuji Electronics has been seeing rising sales of automotive sensors in step with market growth. As a result, consolidated sales of precision machinery related products in the period under review posted 658,923 thousand yen (up 73.5% compared with the year-earlier period). However, in the absence of sales growth in relatively profitable optical disk molds and high heat-resistant lenses, earnings marked an operating loss of 88,904 thousand yen (compared with an operating loss of 5,203 thousand yen in the year-earlier period).

(ii) Optical related products

Along with the increase in data volumes transported on optical telecommunications lines, the need for optical telecommunications system components has been rising on a global scale. In step with this growth, demand for optical connector polishing machines and inspection equipment for the manufacture of system components has also been on the rise, specifically in China. However, optical telecommunications system components, which are in large part standardized products, have been affected by widespread commoditization and permanent price declines. In this setting, centered on the Company's subsidiary in China, concentrated efforts have been made to reduce material procurement costs, raise productivity, and review product designs and specifications. Moreover, the division engaged in product development such as for multi-core connectors that accommodate within a narrowly confined space a large number of circuits. Consolidated sales of optical related products in the period under review marked 850,496 thousand yen (down 7.1% compared with the year-earlier period) with operating income of 7,929 thousand yen (compared with an operating loss of 25,290 thousand yen in the year-earlier period), thanks to higher sales of comparatively profitable manufacturing machinery.

(2) Explanation of financial position

Consolidated total assets at the end of the period under review stood at 22,756,147 thousand yen, up 1,929,581 thousand yen compared with the end of the previous fiscal year. Current assets posted 12,332,562 thousand yen, down 2,534,872 thousand yen. The main factor was a fall in cash and deposits mainly due to the acquisition of shares in Fuji Electronics Industries Co., Ltd. Non-current assets stood at 10,423,585 thousand yen, up 4,464,453 thousand yen compared with the end of the previous fiscal year. The main factor was an increase in non-current

assets, such as buildings and structures, machinery and equipment, transport equipment, and goodwill, following the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries.

Consolidated total liabilities at the end of the period under review stood at 3,039,489 thousand yen, up 1,789,609 thousand yen compared with the end of the previous fiscal year. The main factor was an increase in trade accounts payable and provisions for pension obligations following the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries.

Consolidated net assets at the end of the period under review stood at 19,716,658 thousand yen, up 139,971 thousand yen compared with the end of the previous fiscal year. The main factor was an increase in foreign currency translation adjustments.

(3) Explanation of consolidated results forecasts and forward-looking information

Since the consolidated results forecasts for the fiscal year to March 2014 are largely born out by actual results thus far, the consolidated interim and full-term forecasts released in the summary of financial statements of May 10, 2013, remain unchanged.

2. Summary (Notes) Information

(1) Transfer of important subsidiaries during the current period

Not applicable.

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

Not applicable.

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

Not applicable.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Thousands of yen)

	At the end of the current first quarter (as of June 30, 2013)	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	8,421,471	12,580,693
Notes and accounts receivable-trade	1,945,265	1,121,795
Merchandise and finished goods	313,202	253,344
Work in process	453,071	255,659
Raw materials and supplies	641,704	456,952
Income taxes receivable	21,177	11,071
Other	542,601	193,003
Allowance for doubtful accounts	(5,931)	(5,085)
Total current assets	12,332,562	14,867,434
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,067,918	4,017,659
Accumulated depreciation	(3,224,879)	(2,369,171)
Buildings and structures, net	1,843,039	1,648,488
Machinery, equipment and vehicles	4,345,175	2,109,670
Accumulated depreciation	(3,619,851)	(1,875,514)
Machinery, equipment and vehicles, net	725,324	234,156
Land	2,246,539	2,035,325
Construction in progress	362,825	206,824
Other	4,240,849	1,685,348
Accumulated depreciation	(3,832,981)	(1,459,702)
Other, net	407,868	225,645
Total property, plant and equipment	5,585,597	4,350,440
Intangible assets		
Goodwill	2,492,489	—
Customer related assets	666,685	—
Other	73,434	56,605
Total intangible assets	3,232,609	56,605
Investments and other assets		
Investment securities	570,117	550,480
Real estate for investment, net	937,741	932,756
Other	97,518	68,848
Total investments and other assets	1,605,378	1,552,085
Total noncurrent assets	10,423,585	5,959,131
Total assets	22,756,147	20,826,566

(Unit: Thousands of yen)

	At the end of the current first quarter (as of June 30, 2013)	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	1,023,024	189,650
Income taxes payable	111,723	24,109
Reserve for bonuses	100,735	—
Other	682,257	380,582
Total current liabilities	1,917,741	594,341
Noncurrent liabilities		
Provision for retirement benefits	645,132	411,133
Long-term accounts payable-other	145,370	145,370
Long-term guarantee deposited	72,815	77,098
Long-term lease deposited	19,037	19,037
Deferred tax liability	168,043	2,899
Other	71,349	—
Total noncurrent liabilities	1,121,748	655,538
Total liabilities	3,039,489	1,249,880
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	2,650,506	2,795,903
Treasury stock	(427,246)	(427,246)
Total Shareholders' equity	19,586,362	19,731,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	551	927
Foreign currency translation adjustment	112,507	(170,079)
Total accumulated other comprehensive income	113,059	(169,151)
Subscription rights to shares	16,012	14,078
Minority interests	1,223	—
Total net assets	19,716,658	19,576,686
Total liabilities and net assets	22,756,147	20,826,566

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

(Unit: Thousands of yen)

	Three months ended June 30, 2012 (from April 1, 2012 to June 30, 2012)	Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)
Sales amount	1,294,903	1,509,420
Cost of sales	863,025	1,059,789
Gross profit	431,877	449,630
Selling, general and administrative expenses	462,371	530,605
Operating loss	(30,494)	(80,975)
Non-operating income		
Interest income	6,413	4,931
Dividends income	126	154
The charge of operating trust	21,208	—
Rent of real estate for investment	9,730	12,386
Gains on foreign exchange	2,250	25,777
Other	3,932	4,104
Total non-operating income	43,662	47,355
Non-operating expenses		
Cost of real estate rent	2,787	3,948
Del credere commission	15,282	—
Equity in losses of affiliates	—	24,810
Other	265	534
Total non-operating expenses	18,335	29,293
Ordinary loss	(5,167)	(62,913)
Extraordinary income		
Gain on sales of noncurrent assets	4	675
Total extraordinary income	4	675
Extraordinary loss		
Loss on disposition of non-current assets	—	141
Loss on retirement of noncurrent assets	1,284	—
Total extraordinary losses	1,284	141
Income (loss) for the quarter before income taxes	(6,447)	(62,379)
Income taxes-current	32,303	34,472
Income taxes-deferred	5,013	2,758
Total income taxes	37,316	37,231
Income (loss) for the quarter before minority interests	(43,764)	(99,610)
Minority interests in income	—	87
Income (loss) for the quarter	(43,764)	(99,697)

(Quarterly Statement of Consolidated Comprehensive Income)
(Consolidated Cumulative First Quarter)

(Unit: Thousands of yen)

	Consolidated cumulative 1st quarter of fiscal 2013 (Apr. 1, 2012 - Jun. 30, 2012)	Consolidated cumulative 1st quarter of fiscal 2014 (Apr. 1, 2013 - Jun. 30, 2013)
Income (loss) for the quarter before minority interests	(43,764)	(99,610)
Other comprehensive income		
Net unrealized holding gains on securities	(1,419)	(375)
Foreign currency translation adjustments	157,801	249,336
Equity in earnings of equity-method affiliates	—	33,250
Total other comprehensive income	156,382	282,211
Comprehensive income	112,618	182,600
(Items)		
Comprehensive income attributable to owners of the parent	112,618	182,513
Comprehensive income attributable to minority interests	—	86