



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

February 7, 2014

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) Department Manager | (Name) | Yuji Saitoh |
| Due date of quarterly financial statements submission | February 12, 2013 | | |
| Date of dividend payment | - | | |
| | | | Tel. +81-047-388-6401 |

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the Third quarter of fiscal 2014 (April 1, 2013 to December 31, 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 | % |
| Nine months ended December 31, 2013 | 7,295 | 108.0 | 206 | — | 285 | — | 55 | — |
| Nine months ended December 31, 2012 | 3,507 | 0.1 | (122) | — | (34) | — | (113) | — |

| | Net profit per share | | Fully diluted net profit per share | |
|-------------------------------------|----------------------|--|------------------------------------|--|
| | Yen | | Yen | |
| Nine months ended December 31, 2013 | 6.10 | | 6.09 | |
| Nine months ended December 31, 2012 | (12.45) | | — | |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-------------------------------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Nine months ended December 31, 2013 | 23,251 | 20,078 | 86.3 | 2,192.76 |
| Fiscal year ended March 31, 2013 | 20,826 | 19,576 | 93.9 | 2,140.34 |

(Reference) Shareholders' equity Nine months ended December 31, 2013 20,063 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 | — | 0.00 | — | — | — |
| Fiscal year ending March 31, 2014 (Forecast) | — | — | — | 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 |
| 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):

[Nine months ended December 31, 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:

[Nine months ended December 31, 2013] 183,569 shares / [Fiscal year ended March 31, 2013] 193,720 shares

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

[Nine months ended December 31, 2013] 9,140,571 shares / [Nine months ended December 31, 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

Forward-looking statements herein contained concerning projections of future business results, etc., are based on information currently available at the Company and predicated on certain assumptions considered reasonable, and should not be read as guarantees of future performance or results. Actual results, etc., may differ from projections due various factors. Regarding the underlying assumptions and the use of results projections, users are requested to read the important information, etc., in Section 3, "Explanation of consolidated results forecasts and forward-looking information" on page 4 of the Summary of Financial Statements (Attachment).

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 growth continue in the U.S. centered on the housing market while the European economy exited from a recessionary phase and entered a recovery path. In the Asian emerging economies, specifically China, growth has been continuing despite weaker momentum.

The Japanese economy experienced improving corporate profits centered on exporting industries, as measures including monetary easing implemented by the Abe administration inaugurated at the end of 2012 led to a correction of the yen after a protracted period of yen strength. At the same time, rising share prices buoyed consumer sentiment, with increasing signs of an exit from deflation.

In the markets for electronics and telecommunications relevant to the Group, demand for electronic components, previously driven by continuing rapid expansion for smartphone components, experienced a moderate slowdown. On the other hand, electronic components development for automotive applications has been coming into focus on the back of innovative technologies such as collision prevention and automated driver assist systems.

In this operating environment, the Group has been working on business expansion in the segments for precision machinery products and optical products. In precision machinery products, based on precision mold technology and precision machining technology, the Group has been manufacturing and selling a diversity of molds, precision injection-molded parts, and high-heat resistant lenses. In May 2013, Fuji Electronics Industries Co., Ltd. was added to the Group's subsidiaries, thus extending the business field for precision molded products to the automotive market. In optical products, the Group has been manufacturing and selling a host of component types such as connectors used for the laying of optical communications networks as well as the machinery for the manufacture of those components and, based on the application of optical fiber related technologies, also radio wave transmission systems and sensors for measuring electric fields. Through these and other products, the Group has been working to maintain existing customer relationships and develop new customers.

As a result of these developments, sales in the period under review posted 7,295,378 thousand yen (up 108.0% year-on-year), marking a doubling compared with the year-earlier period. This growth was mainly due to the addition of Fuji Electronics Industries to consolidated subsidiaries during the fiscal year. Other contributing factors included higher sales of connectors, etc., thanks to increased investment related to optical communications facilities in Europe, etc., and a substantial fall in the external value of the yen. Earnings posted operating income of 206,611 thousand yen (compared with an operating loss of 122,871 thousand yen in the year-earlier period), in step with sales growth. Ordinary income was 285,423 thousand yen (compared with an ordinary loss of 34,735 thousand yen in the year-earlier period), mainly reflecting foreign-exchange gains of 82,015 thousand yen and an equity-method investment loss of 65,713 thousand yen. Net income for the period posted 55,782 thousand yen (compared with a net loss of 113,790 thousand yen in the year-earlier period), reflecting a significant improvement compared with the year-earlier period and a successful return to black figures.

Segment results developed as follows.

(i) Precision machinery related products

New trading stagnated in molds for optical disks but sales of mold replacement parts and mold maintenance services were solid. At the same time, efforts continued in developing demand for general molds other than for applications in optical disk molding, as well as in technology development and customer acquisition surrounding precision-molded parts for new markets such as medical and biotechnology applications. These efforts connected to new trade inquiries. In high-heat resistant lenses, new order receipts have been in decline due to customers' specification reviews along with model changes, but for high-definition lenses developed for cameras built into smartphones, volume production was put into place at the Group's China-based subsidiary. Favorable conditions for sales of automotive sensors continued at Fuji Electronics Industries, which was added to Group subsidiaries in May 2013. As a result, consolidated sales of precision machinery related products in the period under review posted 3,875,405 thousand yen (up 348.3% compared with the year-earlier period). Earnings posted an operating loss of 19,526 thousand yen (compared with an operating loss of 159,778 in the year-earlier period) due to lower sales of new optical disk molds and high-heat resistant lenses.

(ii) Optical related products

In the optical telecommunications market, global optical communications infrastructure continues to be upgraded due to such factors as the worldwide proliferation of smartphones and the growth in video data transmitted over the Internet. As a result, demand has been increasing for optical connectors designed to accommodate digital coherent optical communications systems for the stable high-speed transmission of large data volumes, multi-core fiber connectors for multiple circuits in confined spaces, and optical connector polishing machines and inspection instruments indispensable for the manufacture of optical communications system components. However, optical telecommunications system components, which are in large part standardized products, have been affected by significant commoditization and permanent price declines. Efforts, such as reducing the procurement cost of materials, raising productivity, and lowering input cost through reviews of product designs and specifications, have therefore been made to reduce costs. Consolidated sales of optical related products in the period under review marked 3,419,972 thousand yen (up 29.4% compared with the year-earlier period). With this increase in sales, operating income marked 226,138 thousand yen (up 512.7% compared to the year-earlier period).

(2) Explanation of financial position

Consolidated total assets at the end of the period under review stood at 23,251,865 thousand yen, up 2,425,298 thousand yen compared with the end of the previous fiscal year. Current assets posted 12,901,409 thousand yen, down 1,966,025 thousand yen compared with the end of the previous fiscal year. Main factors were the acquisition of the share capital of Fuji Electronics Industries Co., Ltd. and a fall in cash and deposits. Non-current assets stood at 10,350,456 thousand yen, up 4,391,324 thousand yen compared with the end of the previous fiscal year. The main factor was the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries, which caused an increase in non-current assets such as buildings and structures, machinery, devices, and transportation equipment, as well as goodwill.

Consolidated total liabilities at the end of the period under review stood at 3,173,312 thousand yen, up 1,923,432 thousand yen compared with the end of the previous fiscal year. The main factor was the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries, which caused an increase in accounts receivable and provisions for employee retirement benefits.

Consolidated net assets at the end of the period under review stood at 20,078,552 thousand yen, up 501,866 thousand yen compared with the end of the previous fiscal year. The main factor was a rise in foreign currency translation adjustments.

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

Consolidated results projections for the fiscal year to March 2014 released in the Summary of Financial Statements dated May 10, 2013, remain intact as operating performance to date has developed largely within the range of projections.

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)

| | Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2013) | At the end of the current Third quarter (as of December 31, 2013) |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,580,693 | 8,569,211 |
| Notes and accounts receivable-trade | 1,121,795 | 2,185,711 |
| Merchandise and finished goods | 253,344 | 379,721 |
| Work in process | 255,659 | 433,488 |
| Raw materials and supplies | 456,952 | 740,999 |
| Income taxes receivable | 11,071 | 18,772 |
| Other | 193,003 | 579,861 |
| Allowance for doubtful accounts | (5,085) | (6,357) |
| Total current assets | 14,867,434 | 12,901,409 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 4,017,659 | 3,946,807 |
| Accumulated depreciation | (2,369,171) | (2,326,604) |
| Buildings and structures, net | 1,648,488 | 1,620,202 |
| Machinery, equipment and vehicles | 2,109,670 | 1,985,152 |
| Accumulated depreciation | (1,875,514) | (1,781,414) |
| Machinery, equipment and vehicles, net | 234,156 | 203,737 |
| Land | 2,035,325 | 2,035,325 |
| Construction in progress | 206,824 | 180,792 |
| Other | 1,685,348 | 1,603,188 |
| Accumulated depreciation | (1,459,702) | (1,396,187) |
| Other, net | 225,645 | 207,001 |
| Total property, plant and equipment | 4,350,440 | 4,247,059 |
| Intangible assets | | |
| Goodwill | — | 2,374,034 |
| Customer related assets | — | 633,071 |
| Other | 56,605 | 72,297 |
| Total intangible assets | 56,605 | 3,079,403 |
| Investments and other assets | | |
| Investment securities | 550,480 | 558,075 |
| Real estate for investment, net | 932,756 | 944,802 |
| Other | 68,848 | 100,941 |
| Total investments and other assets | 1,552,085 | 1,603,820 |
| Total noncurrent assets | 5,959,131 | 10,350,456 |
| Total assets | 20,826,566 | 23,251,865 |

(Unit: Thousands of yen)

| | Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2013) | At the end of the current Third quarter (as of December 31, 2013) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 189,650 | 1,179,122 |
| Income taxes payable | 24,109 | 185,816 |
| Reserve for bonuses | — | 33,759 |
| Other | 380,582 | 683,349 |
| Total current liabilities | 594,341 | 2,082,048 |
| Noncurrent liabilities | | |
| Provision for retirement benefits | 411,133 | 656,358 |
| Long-term accounts payable-other | 145,370 | 145,370 |
| Long-term guarantee deposited | 77,098 | 64,248 |
| Long-term lease deposited | 19,037 | 19,037 |
| Deferred tax liability | 2,899 | 153,126 |
| Other | — | 53,123 |
| Total noncurrent liabilities | 655,538 | 1,091,264 |
| Total liabilities | 1,249,880 | 3,173,312 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,791,682 | 6,791,682 |
| Capital surplus | 10,571,419 | 10,571,419 |
| Retained earnings | 2,795,903 | 2,790,471 |
| Treasury stock | (427,246) | (404,787) |
| Total Shareholders' equity | 19,731,759 | 19,748,786 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 927 | 5,054 |
| Foreign currency translation adjustment | (170,079) | 310,080 |
| Total accumulated other comprehensive income | (169,151) | 315,135 |
| Subscription rights to shares | 14,078 | 14,630 |
| Total net assets | 19,576,686 | 20,078,552 |
| Total liabilities and net assets | 20,826,566 | 23,251,865 |

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

(Unit: Thousands of yen)

| | Nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012) | Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 2013) |
|--|--|--|
| Sales amount | 3,507,104 | 7,295,378 |
| Cost of sales | 2,306,825 | 5,244,478 |
| Gross profit | 1,200,279 | 2,050,899 |
| Selling, general and administrative expenses | 1,323,151 | 1,844,288 |
| Operating income (or loss) | (122,871) | 206,611 |
| Non-operating income | | |
| Interest income | 21,773 | 15,559 |
| Dividends income | 347 | 393 |
| The charge of operating trust | 21,564 | — |
| Rent of real estate for investment | 30,189 | 37,162 |
| Foreign exchange gains | 33,092 | 82,015 |
| Other | 8,960 | 25,206 |
| Total non-operating income | 115,927 | 160,337 |
| Non-operating expenses | | |
| Cost of real estate rent | 10,687 | 12,275 |
| Del credere commission | 15,844 | — |
| Equity in losses of affiliates | — | 65,713 |
| Other | 1,260 | 3,536 |
| Total non-operating expenses | 27,791 | 81,525 |
| Ordinary income (loss) | (34,735) | 285,423 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1,881 | 1,081 |
| Extraordinary loss | 1,881 | 1,081 |
| Loss on retirement of noncurrent assets | | |
| Loss due to disaster | — | 141 |
| Loss on retirement of noncurrent assets | 4,818 | — |
| Total extraordinary losses | 4,818 | 141 |
| Income (loss) before income taxes | (37,673) | 286,363 |
| Income taxes-current | 73,166 | 250,799 |
| Income taxes-deferred | 2,950 | (20,869) |
| Total income taxes | 76,117 | 229,930 |
| Income (loss) before minority interest | (113,790) | 56,433 |
| Minority interests in income | — | 650 |
| Net income (loss) for the period | (113,790) | 55,782 |

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

(Unit: Thousands of yen)

| | Consolidated cumulative 3rd quarter of fiscal 2013 (Apr. 1, 2012 - December 31, 2012) | Consolidated cumulative 3rd quarter of fiscal 2014 (Apr. 1, 2013 - December 31, 2013) |
|---|---|---|
| Income (loss) before minority interest | (113,790) | 56,433 |
| Other comprehensive income | | |
| Net unrealized holding gains on securities | (338) | 4,132 |
| Foreign currency translation adjustments | 2,884 | 426,420 |
| Equity in equity-method affiliates | 10,828 | 53,739 |
| Total other comprehensive income | 13,375 | 484,292 |
| Comprehensive income (Items) | (100,415) | 540,725 |
| Comprehensive income attributable to owners of the parent | (100,415) | 540,725 |
| Minority interests in comprehensive income for the period | — | 655 |