



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2016 [Japan GAAP]

November 13, 2015
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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 Due date of quarterly financial statements submission November 13, 2015
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2016 (April 1, 2015 to September 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income for the period attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2015	5,904	10.4	433	90.9	462	68.1	252	146.0
Six months ended September 30, 2014	5,346	19.7	227	147.8	274	162.8	102	—

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Six months ended September 30, 2015	27.46	27.36
Six months ended September 30, 2014	11.18	11.13

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 30, 2015	24,701	21,223	85.9	2,307.79
Fiscal year ended March 31, 2015	24,250	21,022	86.7	2,286.47

(Reference) Shareholders' equity Six months ended September 30, 2015 21,215 million yen Fiscal year ended March 31, 2015 21,013 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, 2015	—	0.00	—	8.00	8.00
Fiscal year ending March 31, 2016	—	0.00	—	—	—
Fiscal year ending March 31, 2016 (Forecast)	—	—	—	10.00	10.00

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

3. Forecast of consolidated business performance for the year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income for the period attributable to shareholders of the parent company		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,170	5.7	800	45.8	840	30.3	420	38.3	45.69

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

1. Qualitative information on quarterly financial results

(1) Business results information

The global economy in the period under review saw the Europe and US economy continue to expand strongly centered on personal consumption while economic growth in China and emerging economies in Asia displayed notable deceleration. Meanwhile, in the Japanese economy, the recovery in corporate earnings has been continuing and personal consumption has been rebounding. However, worries persist over downward pressure on the Japanese economy from stagnating overseas economies, specifically China, and instability in the financial economy.

In the information and telecommunications-related markets and electronics related-markets relevant to the Group, smartphone diffusion of low-price models with limited functions continued. The proliferation of these mobile terminals has been spurring the development of new devices, software, and services related to the Internet of Things (IoT), which enables access to all manner of information via the Internet any time and any place. In the market for automotive applications, car manufactures have been working to achieve driving environments featuring enhanced safety and comfort and to this end have been pushing ahead with the development of self-driving systems, which has put the spotlight on advances in key devices such as automotive cameras and sensors.

In this environment, the Group has been striving to increase sales and develop new products and technologies at its Precision Machinery Business (with main products in molds, precision molded products, and high heat-resistant optical lenses) and at its Optical Products Business (with main products in optical communications components, related manufacturing machinery, and optical transmission units). Moreover, in order to raise price competitiveness, we worked at all plants to enhance cost ratios by automating a number of production processes and by reducing procurement costs.

As a result of these efforts, second-quarter consolidated sales rose both at the Precision Machinery Business and the Optical Products Business segments, posting ¥5,904,961 thousand (+10.4% compared with the year-earlier period). In addition to higher sales, the progress made in cost ratio improvements connected to operating income of ¥433,366 thousand (+90.9% compared with the year-earlier period), ordinary income of ¥462,179 thousand (+68.1%) and ¥252,381 thousand (+146.0%) in income for the period attributable to shareholders of the parent company.

Segment performances developed as follows.

(i) Precision Machinery Business

The Precision Machinery Business has been concentrating its efforts on increasing sales of precision molded products manufactured using ultra precision mold-technology. In the period under review, sales of molds decreased, but metal pressed molded products for electronic devices performed well. Additionally, sales of automotive molded products and high heat-resistant lenses for smartphone cameras posted robust gains. As a result, sales for the period under review at the Precision Machinery Business increased to ¥3,657,350 thousand (+12.6% compared with the year-earlier period). Earnings reflected in addition to the increase in sales also improved cost ratios resulting from strong sales of high-margin products, raising operating income to ¥308,592 thousand (+143.9%).

(ii) Optical Products Business

The proliferation of mobile terminals and the spreading of IoT implementations has connected to rapid growth in global data volumes, with new construction of optical communications networks occurring worldwide. Although this development has spurred growing demand for optical communications components, the market prices for mass-demand, general-use components have been in perpetual decline. Elsewhere, sales of optical transmission units in the period under review have been increasing on steady high replacement demand for transmission equipment for

terrestrial digital broadcasting. As a result, second-quarter consolidated sales at the Optical Products Business posted ¥2,247,610 thousand (+7.2% compared with the year-earlier period). Earnings increased along with higher sales, marking operating income of ¥125,740 thousand (+23.8%).

(2) Financial status information

(i) Status of assets, liabilities, and net assets

Consolidated assets at the end of the period under review totaled ¥24,701,937 thousand, reflecting an increase of ¥451,780 thousand compared with the end of the previous fiscal year. Current assets increased ¥309,420 thousand to ¥14,545,598 thousand compared with the end of the previous fiscal year. The main factor was higher accounts receivable-other at subsidiary Fuji Electronics Industries Co., Ltd. Non-current assets increased ¥142,360 thousand compared with the end of the previous fiscal year to ¥10,156,339 thousand. The main factor was an increase in the construction suspension account for the construction of a factory in Chitose city, Hokkaido prefecture, by subsidiary Fuji Electronics Industries Co., Ltd.

Consolidated liabilities at the end of the period under review totaled ¥3,477,974 thousand, reflecting an increase of ¥250,721 thousand compared with the end of the previous fiscal year. The main factor was an increase in accounts receivable-trade due to higher order receipts.

Consolidated net assets at the end of the period under review totaled ¥21,223,962 thousand, reflecting an increase of ¥201,059 thousand compared with the end of the previous fiscal year. The main factor was an increase in retained earnings.

(ii) Status of cash flow

Consolidated cash and cash equivalents at the end of the period under review totaled ¥2,076,825 thousand, which was ¥449,587 thousand lower than at the end of the previous fiscal year. Status of cash flows in the period under review and underlying factors developed as follows.

(Operating cash flows)

Net cash provided by operating activities increased ¥460,053 thousand (compared with an increase of ¥665,813 thousand in the year-earlier period). Cash provided by operating activities comprised mainly ¥462,273 thousand in income before income taxes and minority interests, a ¥300,098 thousand increase in accounts payable-trade, and ¥323,745 thousand in depreciation charges. Cash used in operating activities comprised mainly a ¥294,585 thousand increase in accounts receivable-trade and ¥255,768 thousand in corporation taxes, etc., payable.

(Investing cash flows)

Net cash used in investing activities decreased ¥840,783 thousand (compared with a decrease of ¥646,929 thousand in the year-earlier period). Cash used in investing activities consisted mainly of ¥613,987 thousand in expenditures for the acquisition of property, plant, and equipment and a ¥240,198 thousand net balance in term deposits made less term deposit repayments.

(Financing cash flows)

Net cash used in financing activities decreased ¥77,952 thousand (compared with a decrease of ¥50,641 thousand in the year-earlier period). The main factor was ¥72,972 thousand in dividend payments.

(3) Consolidated results projections and other forward-looking information

Consolidated results projections for the fiscal year to March 2016 released on May 14, 2015, have been revised taking into account latest trends in market environments and business results. Details are available in the "Notice concerning discrepancies with the projections for consolidated results for the second quarter of the fiscal year to March 2016 and revision of the results projections for the full fiscal year to March 2016" released on this day (November 13, 2015).

2. 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, 2015)	At the end of the current Second quarter (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	9,428,672	9,220,428
Notes and accounts receivable-trade	2,297,260	2,327,931
Merchandise and finished goods	375,555	458,163
Work in process	407,297	417,832
Raw materials and supplies	799,956	936,123
Income taxes receivable	68,841	82,258
Other	863,971	1,108,343
Allowance for doubtful accounts	(5,377)	(5,483)
Total current assets	14,236,178	14,545,598
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,523,402	5,584,880
Accumulated depreciation	(3,511,937)	(3,587,717)
Buildings and structures, net	2,011,465	1,997,162
Machinery, equipment and vehicles	4,699,279	4,835,199
Accumulated depreciation	(3,873,985)	(3,950,329)
Machinery, equipment and vehicles, net	825,294	884,870
Land	2,335,796	2,335,796
Construction in progress	332,117	639,500
Other	4,556,384	4,629,490
Accumulated depreciation	(4,148,864)	(4,234,271)
Other, net	407,520	395,219
Total property, plant and equipment	5,912,194	6,252,548
Intangible assets		
Goodwill	2,058,953	1,932,920
Customer related assets	549,035	515,420
Other	126,988	120,834
Total intangible assets	2,734,977	2,569,176
Investments and other assets		
Investment securities	332,467	302,483
Real estate for investment, net	1,000,906	997,891
Other	33,432	34,239
Total investments and other assets	1,366,806	1,334,614
Total noncurrent assets	10,013,978	10,156,339
Total assets	24,250,157	24,701,937

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2015)	At the end of the current Second quarter (As of September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	1,102,998	1,401,110
Income taxes payable	207,999	263,799
Reserve for bonuses	76,457	78,433
Other	797,065	705,754
Total current liabilities	2,184,521	2,449,097
Noncurrent liabilities		
Retirement benefit liabilities	678,235	686,251
Long-term accounts payable-other	145,370	145,370
Long-term guarantee deposited	42,832	34,266
Long-term lease deposited	19,037	19,037
Deferred tax liability	117,424	104,291
Other	39,833	39,661
Total noncurrent liabilities	1,042,732	1,028,877
Total liabilities	3,227,253	3,477,974
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	2,903,260	3,078,467
Treasury stock	(315,504)	(310,213)
Total Shareholders' equity	19,950,857	20,131,356
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,482	3,266
Foreign currency translation adjustment	1,031,219	1,060,582
Cumulative adjustment of retirement benefits	25,396	20,193
Total accumulated other comprehensive income	1,063,098	1,084,042
Subscription rights to shares	8,947	8,563
Total net assets	21,022,903	21,223,962
Total liabilities and net assets	24,250,157	24,701,937

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

(Unit: Thousands of yen)

	Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)
Sales amount	5,346,569	5,904,961
Cost of sales	3,786,183	4,034,267
Gross profit	1,560,385	1,870,693
Selling, general and administrative expenses	1,333,364	1,437,327
Operating income	227,020	433,366
Non-operating income		
Interest income	5,523	5,839
Dividends income	310	517
Income from subsidiaries	12,690	2,201
Rent of real estate for investment	26,210	29,398
Equity in earnings of affiliates	—	2,322
Gains on foreign exchange	20,128	5,550
Other	18,090	9,349
Total non-operating income	82,955	55,180
Non-operating expenses		
Cost of real estate rent	9,161	11,260
Equity in losses of affiliates	23,294	—
Loss on valuation of derivatives	—	11,597
Other	2,539	3,508
Total non-operating expenses	34,995	26,366
Ordinary income	274,980	462,179
Extraordinary income		
Gain on sales of noncurrent assets	2,258	93
Total extraordinary income	2,258	93
Net income for the period before income taxes	277,238	462,273
Income taxes-current	179,351	230,687
Income taxes-deferred	(4,699)	(20,795)
Total income taxes	174,652	209,891
Net income	102,586	252,381
Net income for the period attributable to shareholders of the parent company	102,586	252,381

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

(Unit: Thousands of yen)

	Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)
Net income for the quarter	102,586	252,381
Other comprehensive income		
Net unrealized holding gains on securities	2,093	(3,216)
Foreign currency translation adjustments	(206,720)	53,675
Cumulative adjustment of retirement benefits	1,793	(5,202)
Equity in earnings of equity-method affiliates	(42,724)	(24,311)
Total other comprehensive income	(245,557)	20,944
Comprehensive income	(142,971)	273,326
(Items)		
Comprehensive income attributable to owners of the parent	(142,971)	273,326
Comprehensive income for the quarter attributable to non-controlling shareholders	—	—