



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.
 Code number 6834 URL <http://www.seikoh-giken.co.jp>
 Representative (Title) President & CEO (Name) Masatoshi Ueno
 Inquiries (Title) Department Manager (Name) Yuji Saitoh Tel. +81-047-388-6401
 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 | — | — |