



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2019 [Japan GAAP]

November 9, 2018
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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 Due date of quarterly financial statements submission November 9, 2018
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2019 (April 1, 2018 to September 30, 2018)

(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, 2018	7,433	10.6	796	76.8	874	80.5	571	5.6
Six months ended September 30, 2017	6,721	7.4	450	(31.4)	484	(27.3)	540	27.2

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Six months ended September 30, 2018	61.81	—
Six months ended September 30, 2017	58.52	—

(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, 2018	26,905	22,632	83.9	2,442.40
Fiscal year ended March 31, 2018	26,197	22,484	85.7	2,428.41

(Reference) Shareholders' equity Six months ended September 30, 2018 22,577 million yen Fiscal year ended March 31, 2018 22,448 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, 2018	—	0.00	—	27.00	27.00
Fiscal year ending March 31, 2019	—	0.00	—	—	—
Fiscal year ending March 31, 2019 (Forecast)	—	—	—	30.00	30.00

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, 2019 (April 1, 2018 to March 31, 2019)

(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	14,850	9.6	1,350	45.0	1,450	37.6	1,000	9.3	108.18

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 overall continued on a moderate recovery path. In the US, employment and household income environments improved on the back of favorable corporate earnings. The European economy too experienced a moderate expansion. Economic developments in China looked increasingly uncertain against the backdrop of the US/China trade dispute, with the economy's growth rate continuing to slip despite support measures such as tax cuts taken by the government. In Japan, favorable business conditions overseas sustained improvements in companies' business performance despite some regional adverse effects from heavy rain, typhoons, and earthquakes.

In the information and telecommunications-related markets relevant to the Group, information data traffic volumes increased and cloud services for the efficient use of big data expanded. As a parallel development, worldwide new data center construction for the safe storage of important information received a strong boost. In the market for car electronics, field tests for further advanced self-driving systems accelerated, the market emergence of connected cars outfitted with automotive communication equipment as a standard accessory marked the beginning of the application phase of connective technology also in the automotive field.

In this environment, the Group continued with the implementation of measures under the medium-term management plan "Master Plan 2016" started in fiscal year 2016, specifically (1) strengthening the earning power of existing businesses, (2) optimizing the business portfolio, and (3) reinforcing the management base.

(1) As to strengthening the earning power of existing businesses, at the Precision Machinery Business (with main products in precision molded products, various types of molds, and precision metal processed parts) and at the Optical Products Business (with main products in optical communications components, related equipment, and optical transmission equipment), efforts focused at both segments on reinforcing sales capabilities and price competitive strength as well as promoting the development of new products and technologies. (2) With a view to optimizing the business portfolio, consolidated subsidiary Seikoh Giken Hangzhou Co., Ltd. in a joint venture with a China-based investment firm established a new company that develops and sells optical communications components to leading IT companies in China. (3) As to reinforcing the management base, measures focused on creating group structures facilitating the creation of future-oriented synergy effects through joint projects between group companies and through the World Wide Meeting where executives from each company come together.

As a result of these measures, second-quarter consolidated sales posted 7,433,723 thousand yen (+10.6% compared with the year-earlier period). Earnings marked large gains mainly due to increased sales of products with high margins, with operating income of 796,284 thousand yen (+76.8% compared with the year-earlier period) and with ordinary income of 874,849 thousand yen (+80.5%).

Net income attributable to shareholders of the parent company increased 5.6% to 571,370 thousand yen. The narrow increase in comparison with operating income and ordinary income is attributable to the fact that in the same period of the previous fiscal year, an extraordinary gain (due to step acquisition of shares) of 255,690 thousand yen was recognized in connection with the integration of DATA PIXEL SAS as a group subsidiary.

Business results by segment developed as follows.

(1) Precision Machinery Business

In Precision Machinery Business, sales of pressed molded products for smartphones continued to perform well. In automotive sensor parts, the transition of production to the factory newly built in the year before last in Chitose city, Hokkaido Prefecture, is proceeding to plan. The Hokkaido Eastern Iburi earthquake in September 2018 fortunately caused no damage to the production line, so that together with the pre-existing factory in Shizuoka Prefecture, sales of automotive molded products were able to post steady growth. In order to expand sales of other precision molded products, efforts focused on increasing the contact with new customers on the one hand and to resolve technical issues surrounding the volume production of molded products with customers who have already made trade inquiries. At the same time, leveraging technologies cultivated since the Company's founding in precision mold technology, thin-wall molding technology, and micro transfer technology, efforts focused on the development of high added-value precision molded products for new markets such as medical and bio-science applications.

As a result, sales for the period under review at the Precision Machinery Business posted 4,342,502 thousand yen (+16.0% compared with the year-earlier period). Operating income posted a marked rise to 445,962 thousand yen (+89.5% compared with the year-earlier period) mainly due to increased sales of lucrative pressed molded products.

(2) Optical Products Business

Digital data traffic volumes on the Internet have been surging driven by the advances in IoT, AI, and cloud computing technologies and services. This data proliferation has spurred the worldwide expansion of optical

communication networks and a rush of construction activity for new data centers catering to big data processing and storage. With the growing demand for optical communications components used in communications infrastructure, the Group continued in its effort to increase transactions with information and telecommunications-related companies in various countries, specifically China's leading e-commerce companies. Additionally, with a view to the demand growth expected mainly from the commercialization of the 5th generation of ultra-high speed broadband cellular network standard (5G), the Group worked on product development and a wider line-up of advanced-functionality optical products that enable the transmission of large volumes of optical signals.

As a result, sales for the period under review at the Optical Products Business posted 3,091,220 thousand yen (+3.8% compared with the year-earlier period). Operating income rose strongly to 350,321 thousand yen (+62.9% compared with the year-earlier period) mainly due to increased sales of optical connector components for data centers as well as lucrative manufacturing equipment and measurement devices.

(2) Financial status information

Consolidated assets at the end of the period under review totaled 26,905,765 thousand yen, reflecting an increase of 708,242 thousand yen compared with the end of the previous fiscal year. Current assets marked 16,578,619 thousand yen, an increase of 719,010 thousand yen compared with the end of the previous fiscal year. Main factors, reflecting the growth in sales, were increases in notes and accounts receivable-trade, work in progress, and raw materials and supplies. Non-current assets decreased 10,768 thousand yen compared with the end of the previous fiscal year to 10,327,146 thousand yen. Main factors were depreciation on property, plant, and equipment and amortization of goodwill, outpacing additions to property, plant, and equipment such as machinery, equipment, and molds for the volume production of molded products.

Consolidated liabilities at the end of the period under review totaled 4,272,976 thousand yen, reflecting an increase of 560,079 thousand yen compared with the end of the previous fiscal year. Main factors were an increase in accounts payable-trade for materials purchases in step with higher sales, and higher accrued income taxes.

Consolidated net assets at the end of the period under review totaled 22,632,788 thousand yen, reflecting an increase of 148,162 thousand yen compared with the end of the previous fiscal year. The main factor was an increase in retained earnings.

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

In light of the recent market environment and trends in business performance, the consolidated business results projections for the fiscal year ending March 2019 announced on May 11, 2018, have been revised. Details are stated in the "Notice concerning discrepancy with the projections for consolidated results for the second quarter of the fiscal year to March 2019 and revision of the results projections for the full fiscal year to March 2019" released on this day (November 9, 2018).

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, 2018)	At the end of the current Second quarter (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	10,436,686	10,304,748
Notes and accounts receivable-trade	3,025,096	3,616,569
Merchandise and finished goods	641,168	656,175
Work in process	481,648	541,444
Raw materials and supplies	647,939	761,741
Income taxes receivable	106,935	61,829
Other	522,215	637,933
Allowance for doubtful accounts	(2,080)	(1,823)
Total current assets	15,859,609	16,578,619
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,355,898	6,303,494
Accumulated depreciation	(3,947,833)	(3,995,406)
Buildings and structures, net	2,408,065	2,308,088
Machinery, equipment and vehicles	5,768,461	5,975,635
Accumulated depreciation	(4,294,230)	(4,350,199)
Machinery, equipment and vehicles, net	1,474,231	1,625,435
Land	2,335,796	2,335,796
Construction in progress	511,120	495,905
Other	5,201,460	5,344,367
Accumulated depreciation	(4,720,423)	(4,782,632)
Other, net	481,037	561,734
Total property, plant and equipment	7,210,251	7,326,959
Intangible assets		
Goodwill	1,708,289	1,533,562
Customer related assets	347,348	313,734
Other	100,103	108,441
Total intangible assets	2,155,741	1,955,737
Investments and other assets		
Investment securities	49,909	48,199
Real estate for investment, net	859,856	890,232
Other	62,155	106,016
Total investments and other assets	971,921	1,044,448
Total noncurrent assets	10,337,914	10,327,146
Total assets	26,197,523	26,905,765

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2018)	At the end of the current Second quarter (As of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	1,326,796	1,566,438
Income taxes payable	218,868	356,507
Reserve for bonuses	87,868	96,343
Other	1,054,626	1,192,128
Total current liabilities	2,688,159	3,211,417
Noncurrent liabilities		
Retirement benefit liabilities	793,802	814,714
Provision for stock awards for corporate officers	25,724	43,533
Long-term accounts payable-other	145,070	145,070
Long-term lease deposited	19,037	19,037
Deferred tax liability	2,335	555
Other	38,768	38,648
Total noncurrent liabilities	1,024,737	1,061,559
Total liabilities	3,712,896	4,272,976
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	4,653,349	4,973,740
Treasury stock	(169,136)	(169,136)
Total Shareholders' equity	21,847,315	22,167,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,388	11,013
Foreign currency translation adjustment	602,394	410,197
Cumulative adjustment of retirement benefits	(14,073)	(11,531)
Total accumulated other comprehensive income	600,709	409,678
Subscription rights to shares	22,302	40,816
Equity of non-controlling shareholders	14,298	14,586
Total net assets	22,484,626	22,632,788
Total liabilities and net assets	26,197,523	26,905,765

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

(Unit: Thousands of yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Sales amount	6,721,590	7,433,723
Cost of sales	4,620,705	4,971,449
Gross profit	2,100,884	2,462,273
Selling, general and administrative expenses	1,650,517	1,665,989
Operating income	450,366	796,284
Non-operating income		
Interest income	4,157	4,194
Dividends income	392	482
Income from subsidies	2,522	2,820
Rent of real estate for investment	21,856	27,762
Gains on foreign exchange	1,105	36,996
Other	10,736	17,570
Total non-operating income	40,772	89,827
Non-operating expenses		
Cost of real estate rent	4,496	7,808
Other	1,886	3,453
Total non-operating expenses	6,383	11,262
Ordinary income	484,755	874,849
Extraordinary income		
Gain on sales of noncurrent assets	374	11
Gain on phased acquisition of equity	255,690	-
Total extraordinary income	256,065	11
Extraordinary loss		
Loss on disposition of non-current assets	250	140
Total extraordinary losses	250	140
Net income for the period before income taxes	740,570	874,721
Income taxes-current	206,012	346,027
Income taxes-deferred	(8,828)	(46,090)
Total income taxes	197,183	299,937
Net income	543,387	574,783
Net income for the quarter attributable to non-controlling shareholders	2,392	3,412
Net income for the period attributable to shareholders of the parent company	540,994	571,370

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

(Unit: Thousands of yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Net income for the quarter	543,387	574,783
Other comprehensive income		
Net unrealized holding gains on securities	2,835	(1,374)
Foreign currency translation adjustments	(85,282)	(192,197)
Cumulative adjustment of retirement benefits	3,499	2,541
Total other comprehensive income	(78,947)	(191,030)
Comprehensive income	464,439	383,753
(Items)		
Comprehensive income attributable to owners of the parent	461,305	381,081
Comprehensive income for the quarter attributable to non-controlling shareholders	3,133	2,671