



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2013 [Japan GAAP]

November 9, 2012
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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Due date of quarterly financial statements submission November 9, 2012
Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2013 (April 1, 2012 to September 30, 2012)

(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	%
Six months ended September 30, 2012	2,416	(0.9)	(18)	—	5	—	(54)	—
Six months ended September 30, 2011	2,437	(1.2)	(21)	—	(26)	—	(5)	—

	Net profit per share		Fully diluted net profit per share	
	Yen		Yen	
Six months ended September 30, 2012	(5.99)		—	
Six months ended September 30, 2011	(0.64)		—	

(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, 2012	20,562	19,293	93.8	2,109.82
Fiscal year ended March 31, 2012	20,680	19,319	93.4	2,113.02

(Reference) Shareholders' equity Three months ended September 30, 2012 19,283 million yen Fiscal year ended March 31, 2012 19,312 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				
Fiscal year ended March 31, 2012	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2013	—	0.00	—	—	—
Fiscal year ending March 31, 2013 (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, 2013 (April 1, 2012 to March 31, 2013)

(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	4,890	2.3	10	159.9	50	10.2	(70)	—	(7.66)

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.: Exist

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):

[Six months ended September 30, 2012] 9,333,654 shares / [Fiscal year ended March 31, 2012] 9,333,654 shares

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

[Six months ended September 30, 2012] 193,671 shares / [Fiscal year ended March 31, 2012] 193,671 shares

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

[Six months ended September 30, 2012] 9,139,983 shares / [Six months ended September 30, 2011] 9,140,024 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.

*Explanation of appropriate use of performance forecasts and other notes

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. Regarding items relating to performance forecasts, please refer to “(3) Qualitative Information Regarding Consolidated Performance Forecasts” on page 3 of the Quarterly Financial Report (Appendix).

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

(1) Qualitative Information Regarding the Consolidated Operation Results

The global economy in the period under review saw the European debt crisis turn into a long term problem, with clear signs of a slowdown in the emerging market economies, specifically in China. In the Japanese economy, an ongoing moderate recovery that ensued with support from reconstruction demand after the Great East Japan Earthquakes showed slipping momentum, leaving production and exports fluctuating at low levels under the impact of stagnant overseas economies and protracted yen strength.

The information, telecommunications and digital home appliance industries, which are relevant industries to the Group, experienced rising demand for mobile high-performance telecommunication equipment such as smart phones and tablets, with the focus of attention on the simultaneous global sales launch of devices equipped for the new maximum-speed telecommunications standard LTE. The proliferation of smart phones has connected to a surge in data traffic volumes, compelling the upgrading of information and telecommunication network facilities and promoting the development and introduction of next-generation telecommunication services for the highly efficient transfer of information.

In this operating environment, the Group strengthened the communication with customers and advanced new technology and product development in its two product segments, which are comprised, firstly, of precision machinery related products centered on a diversity of molds such as molds for optical disk production, thin-walled molded components, and high heat-resistant lenses which apply precision mold technology and precision machining technology, and, secondly, optical related products centered on components such as connectors for optical telecommunications network facilities, as well as the equipment for the manufacture of those components. In the period under review, the Group launched internal projects centered on division heads, engaged in strategy formulation for identifying operational issues and their resolution, and arranged for information sharing on the status of project and strategy execution.

Consolidated net sales for the period under review declined 0.9% compared with the year-earlier period to 2,416,399 thousand yen mainly due to the effects of the strong yen, although the Group worked to maintain its existing customer base, expand sales, and develop new customers. Earnings posted an operating loss of 18,032 thousand yen (compared with a year-earlier operating loss of 21,271 thousand yen) despite an enhanced cost of sales ratio compared with the year-earlier period. Thanks to increased non-operating income such as income from service provision as well as narrowed foreign exchange losses, an ordinary income of 5,156 thousand yen (compared with a year-earlier ordinary loss of 26,005 thousand yen) marked an improvement over the year earlier period. An after-tax net loss of 54,741 thousand yen (compared with a net loss of 5,843 thousand yen of the year-earlier period) reflected a worsened result due to the comparison with the year-earlier base when the Company posted a special gain of 59,965 thousand yen mainly from the sale of non-current assets.

Segment results developed as follows.

(i) Precision machinery related products

Without a recovery in the facility operating rates at optical disc manufacturers, the main users of optical disc molds, demand for mold maintenance and parts replacement has remained stagnant. In this environment, sales of molds for Blu-ray Disc production in the period under review increased compared with the year-earlier period. Moreover, using precision mold technology and micro transfer technology, the Company pushed ahead with market research, technology development, and customer development aimed at sales of precision molded products in new markets in the medical and bioscience fields. Meanwhile, high heat-resistant lenses for cameras mounted on smart phones and mobile phones marked solid growth in sales to customers in China. Lens operations remain engaged in efforts to acquire new customers while continuing with the development of volume production methods for high-resolution lenses.

As a result, in precision machinery related products, sales for the period under review increased by 44.2% from the year-earlier period to 640,676 thousand yen. Thanks to the increased sales of high-margin optical disc molds and an improved cost of sales ratio achieved through higher automation in lens production, the operating loss of 49,190 thousand yen for the period under review marks an improvement compared with the 148,954 thousand yen operating loss posted in the year-earlier period.

(ii) Optical related products

Optical telecommunications markets keep growing centered on the emerging economies, as the diffusion of smart phones and mobile phones spurs capacity increases in wireless backbone networks. Optical telecommunications infrastructures continue to be strengthened also in Japan and in the U.S. in step with corporations' widening use of cloud computing and the escalating transfer speeds and data volumes of data centers. In Europe, however, where the economic environment of the euro area has been deteriorating amid the prolonged debt crisis, public investment and corporate capital expenditure surrounding telecommunications facilities construction has been stagnant. In this environment, in August 2012 the Company acquired 49% of the share capital in DATA-PIXEL SAS of France, a leading manufacturer of measurement and inspection equipment for optical communication components, accounted for as an equity-method affiliate. Based on this acquisition, the Company will obtain efficiency gains through the mutual use of management resources such as technology and facilities as well as human networks and information, and will work to increase the enterprise value of both companies.

Consolidated sales of optical related products for the period under review decreased by 10.9% from the year-earlier period to 1,775,722 thousand yen, reflecting the continuing downward pressure on unit prices, the discontinuation of a select number of products with low profitability, and large declines in the yen-converted proceeds from European sales caused by the weakness of the euro. Operating income declined to 31,157 thousand yen (down 75.6% compared with the year-earlier period) due to the drop in sales overall as well as slow sales of products with attractive profit margins.

(2) Qualitative information on consolidated financial position

(i) Assets, liabilities, and net assets

Consolidated total assets at the end of the period under review stood at 20,562,996 thousand yen, down 117,201 thousand yen compared with the end of the previous fiscal year. Current assets posted 15,011,255 thousand yen, down 352,331 thousand yen. Main factors were the acquisition of shares in DATA-PIXEL SAS of France referred to above and lower cash and deposits due to a rise in accounts receivable and a reduction in accounts payable. Non-current assets stood at 5,551,740 thousand yen, up 235,130 thousand yen compared with the end of the previous fiscal year, which is mainly due to an increase in the holdings of investment securities after the acquisition of shares in DATA-PIXEL SAS.

Consolidated total liabilities at the end of the period under review stood at 1,269,080 thousand yen, down 92,005 thousand yen compared with the end of the previous fiscal year, which was mainly due to a decline in accounts payable caused by lower sales at optical related products operations.

Consolidated net assets at the end of the period under review stood at 19,293,915 thousand yen, down 25,195 thousand yen compared with the end of the previous fiscal year, which was mainly due to a decline in retained earnings.

(ii) Cash flows

Consolidated cash and cash equivalents at the end of the period under review totaled 1,163,718 thousand yen, down 295,660 thousand yen compared with the end of the previous fiscal year. Individual cash flows in the period under review and main factors influencing the changes therein were as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 123,654 thousand yen, compared with 76,248 thousand yen used in operating activities in the year-earlier period. Main factors were 129,771 thousand yen in depreciation charges, 144,002 thousand yen higher accounts receivable, and 134,148 thousand yen lower accounts payable.

(Cash flows from investing activities)

Net cash used in investing activities was 178,250 thousand yen, compared with 90,780 thousand yen provided by investing activities in the year-earlier period. Main factors were 248,458 thousand yen in expenditures for the acquisition of investment securities and 88,505 thousand yen in expenditures for the acquisition of tangible non-current assets.

(Cash flows from financing activities)

Financing net cash was zero, compared with 29 thousand yen used in financing activities in the year-earlier period.

(3) Qualitative information on consolidated results forecasts

Based on the consolidated business results for the period under review, the consolidated results forecast for the fiscal year to March 2013 stated in the summary of financial statements released on May 11, 2012 has been revised. For details, refer to the Notice on Discrepancies with the Consolidated Results Forecasts for First-Half (Six Month to September 30, 2012) of Fiscal Year Ending March 2013 and Revised Results Forecasts for the Full Fiscal Year Ending March 2013 released today (November 9, 2012).

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

(Change of depreciation method)

Due to the revision of the corporation tax law, beginning with the period under review the Company and its consolidated subsidiaries have changed the depreciation method for property, plant, and equipment acquired on or after April 1, 2012, in accordance with the revised corporation tax law. The effects of this change are marginal with respect to the operating losses, ordinary income, and net income before taxes reported for the consolidated period under review.

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, 2012)	At the end of the current Second quarter (as of September 30, 2012)
Assets		
Current assets		
Cash and deposits	12,835,208	12,395,918
Notes and accounts receivable-trade	1,385,029	1,536,174
Merchandise and finished goods	276,110	252,596
Work in process	267,572	286,536
Raw materials and supplies	404,661	409,684
Income taxes receivable	11,322	7,540
Other	186,166	127,151
Allowance for doubtful accounts	(2,484)	(4,348)
Total current assets	15,363,586	15,011,255
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,937,555	3,952,310
Accumulated depreciation	(2,253,404)	(2,303,305)
Buildings and structures, net	1,684,150	1,649,004
Machinery, equipment and vehicles	1,991,546	2,028,241
Accumulated depreciation	(1,813,641)	(1,850,673)
Machinery, equipment and vehicles, net	177,904	177,567
Land	2,035,325	2,035,325
Construction in progress	152,004	167,310
Other	1,575,622	1,646,611
Accumulated depreciation	(1,371,973)	(1,432,000)
Other, net	203,649	214,611
Total property, plant and equipment	4,253,035	4,243,819
Intangible assets		
Other	49,819	51,633
Total intangible assets	49,819	51,633
Investments and other assets		
Investment securities	14,594	260,495
Real estate for investment, net	928,980	928,664
Other	70,180	67,128
Total investments and other assets	1,013,755	1,256,288
Total noncurrent assets	5,316,610	5,551,740
Total assets	20,680,197	20,562,996

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2012)	At the end of the current Second quarter (as of September 30, 2012)
Liabilities		
Current liabilities		
Accounts payable-trade	312,594	183,286
Income taxes payable	45,941	33,172
Other	374,924	411,057
Total current liabilities	733,460	627,516
Noncurrent liabilities		
Provision for retirement benefits	366,991	389,565
Long-term accounts payable-other	145,370	145,370
Long-term guarantee deposited	94,231	85,665
Long-term lease deposited	19,037	19,037
Other	1,995	1,926
Total noncurrent liabilities	627,625	641,563
Total liabilities	1,361,085	1,269,080
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	2,921,991	2,867,249
Treasury stock	(427,218)	(427,218)
Total Shareholders' equity	19,857,875	19,803,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,378)	(4,935)
Foreign currency translation adjustment	(542,561)	(514,458)
Total accumulated other comprehensive income	(544,939)	(519,393)
Subscription rights to shares	6,175	10,176
Total net assets	19,319,111	19,293,915
Total liabilities and net assets	20,680,197	20,562,996

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

(Unit: Thousands of yen)

	Six months ended September 30, 2011 (from April 1, 2011 to September 30, 2011)	Six months ended September 30, 2012 (from April 1, 2012 to September 30, 2012)
Sales amount	2,437,917	2,416,399
Cost of sales	1,656,614	1,538,191
Gross profit	781,302	878,208
Selling, general and administrative expenses	802,573	896,241
Operating loss	(21,271)	(18,032)
Non-operating income		
Interest income	15,331	15,717
Dividends income	205	172
The charge of operating trust	—	21,564
Rent of real estate for investment	19,200	19,951
Other	6,239	4,239
Total non-operating income	40,976	61,646
Non-operating expenses		
Cost of real estate rent	5,627	6,976
Del credere commission	—	15,844
Foreign exchange losses	38,538	14,798
Other	1,545	838
Total non-operating expenses	45,711	38,457
Ordinary income (or loss)	(26,005)	5,156
Extraordinary income		
Gain on sales of noncurrent assets	44,204	7
Gains from the transfer of operations	15,760	—
Total extraordinary income	59,965	7
Extraordinary loss		
Loss on retirement of noncurrent assets	1,446	4,493
Loss due to disaster	975	—
Total extraordinary losses	2,421	4,493
Net income for the period before income taxes	31,538	670
Income taxes-current	47,166	54,195
Income taxes-deferred	(9,784)	1,217
Total income taxes	37,381	55,412
Net loss for the period before minority interests	(5,843)	(54,741)
Net loss for the period	(5,843)	(54,741)

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

(Unit: Thousands of yen)

	Consolidated cumulative 2nd quarter of fiscal 2012 (Apr. 1, 2011 - September. 30, 2011)	Consolidated cumulative 2nd quarter of fiscal 2013 (Apr. 1, 2012 - September. 30, 2012)
Net income before adjustment for minority interests	(5,843)	(54,741)
Other comprehensive income		
Net unrealized holding gains on securities	(771)	(2,557)
Foreign currency translation adjustments	42,236	28,103
Total other comprehensive income	41,464	25,546
Comprehensive income	35,621	(29,195)
(Items)		
Comprehensive income attributable to owners of the parent	35,621	(29,195)
Minority interests in comprehensive income for the period	—	—