

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

February 12, 2013

Listed market: JASDAQ

Listed company name	SEIKOH GIKEN Co., Ltd.		
Code number	6834	URL	http://www.seikoh-giken.co.jp
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Due date of quarterly financial statements submission	February 12, 2013	Tel.	+81-047-388-6401
Date of dividend payment	—		

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the Third quarter of fiscal 2013 (April 1, 2012 to December 31, 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	%
Nine months ended December 31, 2012	3,507	0.1	(122)	—	(34)	—	(113)	—
Nine months ended December 31, 2011	3,503	(2.9)	(29)	—	(24)	—	(20)	—

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Nine months ended December 31, 2012	(12.45)	—
Nine months ended December 31, 2011	(2.23)	—

(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, 2012	20,476	19,224	93.8	2,102.03
Fiscal year ended March 31, 2012	20,680	19,319	93.4	2,113.02

(Reference) Shareholders' equity Nine months ended December 31, 2012 19,212 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	Yen	Yen	Yen	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):

[Nine months ended December 31, 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:

[Nine months ended December 31, 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):

[Nine months ended December 31, 2012] 9,139,983 shares / [Nine months ended December 31, 2011] 9,140,010 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) The global economy in the period under review saw Europe in sustained economic stagnation under the impact of the European debt crisis, with increasing signs of an economic slowdown in China caused mainly by diminishing exports to Europe. Likewise, in the U.S., corporate capital investment and consumer sentiment have been weighed down by recessionary economies overseas and concerns over the "fiscal cliff," i.e., the U.S. budget crisis.

In Japan, in addition to decelerating overseas economies, exports to China have been negatively affected by deteriorating relations between Japan and China over the Senkaku Islands dispute, leaving Japan's trade balance in the red. Although the domestic economy has been finding support from reconstruction demand after the Great East Japan Earthquake, employment and household incomes remain under pressure and internal demand growth is lacking strength. In this environment, the Lower House elections in December brought a change of government. Spurred by expectations that the new administration will shift to a policy of drastic quantitative easing and large-scale fiscal investment, the yen has plunged and share prices have been on the ascent.

The information, telecommunications and digital home appliance industries, which are relevant industries to the Group, experienced continuing price declines for thin-screen TVs and digital cameras, among other products, while demand strengthened for portable multi-functional devices, mainly smart phones and tablets. The proliferation of smart phones has connected to a surge in circulating data traffic volumes, with a rush in additional investment in base stations to accommodate the new high-speed telecommunications standard LTE.

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 were almost unchanged from the level of the year-earlier period at 3,507,104 thousand yen (+0.1%) despite Group efforts to maintain the existing customer base, expand sales, and develop new customers. Earnings posted an operating loss of 122,871 thousand yen (compared with an operating loss of 29,172 thousand yen for the year-earlier period), reflecting higher expenses for strengthening sales and enhancing operations. Ordinary income marked an ordinary loss of 34,735 thousand yen (compared with an ordinary loss of 24,855 thousand yen in the year-earlier period), outpacing higher non-operating income from service provision commissions, etc. and foreign exchange gains. The after-tax net result for the period was a net loss of 113,790 thousand yen (compared with a net loss of 20,361 thousand yen for the year earlier period), worsened by the comparison base of a year earlier when the Company posted special gains mainly from the sale of non-current assets.

Segment results developed as follows.

(i) Precision machinery related products

Precision machinery related operations, using the Group's core technology in precision molds along with the micro transfer technology developed from the application of precision mold technology, pushed ahead with market research, technology development, and customer development aimed at sales of precision molded products in new markets in the medical and bio-science fields. In optical disc operations, facility operating rates at optical disc manufacturers, the main users of optical disk molds, remained depressed, but sales of molds for Blu-ray Disc production increased compared with the year-earlier period. Also high temperature resistant lenses for cameras of smart phones and mobile phones marked solid growth in sales to customers in China. Lens operations have been engaged in efforts to acquire new customers in the market for mobile terminals while continuing with the development of volume production methods for high-resolution lenses, new materials, and innovative lens structures, with a view to market development for applications outside mobile terminals.

As a result, in precision machinery related products, sales for the period under review increased by 26.3% from the year-earlier period to 864,424 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 159,778 thousand yen for the period under review marks an improvement compared with the 182,262 thousand yen operating loss posted in the year-earlier period.

(ii) Optical related products

Optical telecommunications infrastructures continue to be strengthened in step with the diffusion of smart phones and mobile phones as well as corporations' widening use of cloud computing and the escalating transfer speeds and data volumes of data centers. In Europe, however, where the economic environment has been deteriorating amid the prolonged debt crisis, public investment and corporate capital expenditure surrounding telecommunications facilities construction has been stagnant. In this environment, the Company acquired 49% of the share capital of DATA-PIXEL SAS of France, a leading manufacturer of measurement and inspection equipment for optical communication components, accounted for as an equity-method affiliate. Through this acquisition the Company will make effective use of mutual 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 and the discontinuation of a select number of products with low profitability. Operating income declined to 36,909 thousand yen (down 75.9% 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

Consolidated total assets at the end of the period under review stood at 20,476,307 thousand yen, down 203,890 thousand yen compared with the end of the previous fiscal year. Current assets posted 14,910,475 thousand yen, down 453,111 thousand yen. Main factors were the acquisition of shares in DATA-PIXEL SAS of France and lower cash and deposits due to a rise in accounts receivable and a reduction in accounts payable. Non-current assets stood at 5,565,832 thousand yen, up 249,221 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 1,251,719 thousand yen, down 109,366 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 19,224,587 thousand yen, down 94,523 thousand yen compared with the end of the previous fiscal year, which was mainly due to a decline in retained earnings.

(3) Qualitative information on consolidated results forecasts

Consolidated performance to date largely bears out the consolidated results forecast for the fiscal year to March 2013. Consolidated results forecast for the fiscal year to March 2013 stated in the summary of financial statements released on November 9, 2012, remain intact.

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 losses, and net losses before taxes reported for the 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 Third quarter (as of December 31, 2012)
Assets		
Current assets		
Cash and deposits	12,835,208	12,491,102
Notes and accounts receivable-trade	1,385,029	1,342,282
Merchandise and finished goods	276,110	250,605
Work in process	267,572	275,984
Raw materials and supplies	404,661	412,031
Income taxes receivable	11,322	6,543
Other	186,166	136,676
Allowance for doubtful accounts	(2,484)	(4,751)
Total current assets	15,363,586	14,910,475
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,937,555	3,946,807
Accumulated depreciation	(2,253,404)	(2,326,604)
Buildings and structures, net	1,684,150	1,620,202
Machinery, equipment and vehicles	1,991,546	1,985,152
Accumulated depreciation	(1,813,641)	(1,781,414)
Machinery, equipment and vehicles, net	177,904	203,737
Land	2,035,325	2,035,325
Construction in progress	152,004	180,792
Other	1,575,622	1,603,188
Accumulated depreciation	(1,371,973)	(1,396,187)
Other, net	203,649	207,001
Total property, plant and equipment	4,253,035	4,247,059
Intangible assets		
Other	49,819	50,215
Total intangible assets	49,819	50,215
Investments and other assets		
Investment securities	14,594	275,300
Real estate for investment, net	928,980	925,629
Other	70,180	67,626
Total investments and other assets	1,013,755	1,268,556
Total noncurrent assets	5,316,610	5,565,832
Total assets	20,680,197	20,476,307

(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 Third quarter (as of December 31, 2012)
Liabilities		
Current liabilities		
Accounts payable-trade	312,594	179,870
Income taxes payable	45,941	18,231
Other	374,924	406,119
Total current liabilities	733,460	604,221
Noncurrent liabilities		
Provision for retirement benefits	366,991	399,841
Long-term accounts payable-other	145,370	145,370
Long-term guarantee deposited	94,231	81,381
Long-term lease deposited	19,037	19,037
Other	1,995	1,868
Total noncurrent liabilities	627,625	647,497
Total liabilities	1,361,085	1,251,719
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	2,808,201
Treasury stock	(427,218)	(427,218)
Total Shareholders' equity	19,857,875	19,744,085
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,378)	(2,716)
Foreign currency translation adjustment	(542,561)	(528,847)
Total accumulated other comprehensive income	(544,939)	(531,564)
Subscription rights to shares	6,175	12,067
Total net assets	19,319,111	19,224,587
Total liabilities and net assets	20,680,197	20,476,307

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

(Unit: Thousands of yen)

	Nine months ended December 31, 2011 (from April 1, 2011 to December 31, 2011)	Nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)
Sales amount	3,503,797	3,507,104
Cost of sales	2,349,205	2,306,825
Gross profit	1,154,592	1,200,279
Selling, general and administrative expenses	1,183,765	1,323,151
Operating loss	(29,172)	(122,871)
Non-operating income		
Interest income	22,629	21,773
Dividends income	372	347
The charge of operating trust	—	21,564
Rent of real estate for investment	30,235	30,189
Foreign exchange gains	—	33,092
Other	9,715	8,960
Total non-operating income	62,952	115,927
Non-operating expenses		
Cost of real estate rent	8,436	10,687
Del credere commission	—	15,844
Foreign exchange losses	48,140	—
Other	2,058	1,260
Total non-operating expenses	58,635	27,791
Ordinary income (or loss)	(24,855)	(34,735)
Extraordinary income		
Gain on sales of noncurrent assets	44,440	1,881
Gains from the transfer of operations	15,760	—
Total extraordinary income	60,201	1,881
Extraordinary loss		
Loss on retirement of noncurrent assets	3,798	4,818
Loss due to disaster	975	—
Total extraordinary losses	4,773	4,818
Net income for the period before income taxes	30,571	(37,673)
Income taxes-current	61,199	73,166
Income taxes-deferred	(10,265)	2,950
Total income taxes	50,933	76,117
Net loss for the period before minority interests	(20,361)	(113,790)
Net loss for the period	(20,361)	(113,790)

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

(Unit: Thousands of yen)

	Consolidated cumulative 3rd quarter of fiscal 2012 (Apr. 1, 2011 - December 31, 2011)	Consolidated cumulative 3rd quarter of fiscal 2013 (Apr. 1, 2012 - December 31, 2012)
Net income before adjustment for minority interests	(20,361)	(113,790)
Other comprehensive income		
Net unrealized holding gains on securities	(1,835)	(338)
Foreign currency translation adjustments	(66,158)	2,884
Equity in equity-method affiliates	—	10,828
Total other comprehensive income	(67,994)	13,375
Comprehensive income	(88,356)	(100,415)
(Items)		
Comprehensive income attributable to owners of the parent	(88,356)	(100,415)
Minority interests in comprehensive income for the period	—	—