



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2014 [Japan GAAP]

November 8, 2013

Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
Code number 6834 URL <http://www.seikoh-giken.co.jp>
Representative (Title) President & CEO
Inquiries (Title) Department Manager
Due date of quarterly financial statements submission November 8, 2013
Date of dividend payment —

(Name) Masatoshi Ueno

(Name) Yuji Saitoh

Tel. +81-047-388-6401

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2014 (April 1, 2013 to September 30, 2013)

(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, 2013	4,467	84.9	91	—	104	1,929.0	(25)	—
Six months ended September 30, 2012	2,416	(0.9)	(18)	—	5	—	(54)	—

	Net profit per share		Fully diluted net profit per share	
	Yen		Yen	
Six months ended September 30, 2013	(2.78)		—	
Six months ended September 30, 2012	(5.99)		—	

(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, 2013	23,247	19,993	85.9	2,185.59
Fiscal year ended March 31, 2013	20,826	19,576	93.9	2,140.34

(Reference) Shareholders' equity Six months ended September 30, 2013 19,976 million yen Fiscal year ended March 31, 2013 19,562 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, 2013	—	0.00	—	5.00	5.00
Fiscal year ending March 31, 2014	—	0.00	—	5.00	5.00
Fiscal year ending March 31, 2014 (Forecast)	—	—	—	5.00	5.00

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, 2014 (April 1, 2013 to March 31, 2014)

(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	10,000	100.5	250	—	330	—	50	—	5.47

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, 2013] 9,333,654 shares / [Fiscal year ended March 31, 2013] 9,333,654 shares

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

[Six months ended September 30, 2013] 193,769 shares / [Fiscal year ended March 31, 2013] 193,720 shares

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

[Six months ended September 30, 2013] 9,139,913 shares / [Six months ended September 30, 2012] 9,139,983 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 the Summary of Financial Statements, page 4, “(3) Explanation of consolidated results forecasts and forward-looking information.”

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

(1) Explanation of the operation results

The global economy in the period under review continued overall on a recovery path despite risks posed by factors such as the fiscal policy concerns in the U.S., the European debt crisis turning long-term, and worries over the outlook for the Chinese economy. In Japan, the economy saw corporate earnings and personal consumption point higher in response to the government's efforts at economic recovery through fiscal policy measures and proactive public works investment, and further supported by a correction of the strong yen. Additionally, the decision in favor of Tokyo as the site of the 2020 Olympics bodes well for the economic outlook, but the forthcoming consumption tax rate increase and slowing overseas economies are reasons for concern.

In the markets for electronics and telecommunications relevant to the Group, the spreading diffusion of smart phones and tablet terminals continues and demand for components used in these products keeps rising. Moreover, rapidly expanding internet data traffic has carriers respond by proactively reinforcing base stations for mobile phones and optical fiber networks. In the automotive market, solid demand has been increasing for automotive sensors, etc., driven by continued strong sales of hybrid cars.

In this operating environment, the Group has been working on business expansion in the segments for precision machinery products and optical products. In precision machinery products, building on special strengths in precision mold technology and precision machining capability, the Group has been manufacturing and selling an array of mold types and thin-walled molded products as well as high-heat resistant lenses. In May 2013, Fuji Electronics Industries Co., Ltd. was added to the Group's subsidiaries, thus extending the business field for precision molded products to the automotive market. As to optical products, the Group has been selling a host of component types such as connectors used for the laying of optical communications networks as well as the machinery for the manufacture of those components. Other optical products are radio wave transmission systems that exploit the special properties of optical fiber, and sensors for measuring electric fields. Through these and other products, the Group has been working to maintain existing customer relationships and develop new customers.

As a result of these developments, sales in the period under review posted 4,467,021 thousand yen (up 84.9% compared with the year-earlier period). This growth is mainly due to the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries and higher sales of optical connectors on the back of increased demand for optical communication network components. Income benefited, with operating income marking 91,622 thousand yen (after an operating loss of 18,032 thousand yen in the year-earlier period), maintaining black figures at the operating level. Ordinary income climbed to 104,617 thousand yen (up 1,929.0% compared with the year-earlier period). Main factors included 41,473 thousand yen in foreign exchange gains and a 52,114 thousand yen equity-method investment loss. Net income for the period after income taxes, etc., marked a net loss of 25,445 thousand yen (compared with a net loss of 54,741 thousand yen in the year earlier period).

Segment results developed as follows.

(i) Precision machinery related products

In the period under review, consolidated sales of optical disc molds and related products continued weak amid stagnating new investment at optical disc manufacturers. Moreover, high heat-resistant lenses for cameras integrated in smart phones and mobile phones suffered a significant decline in new orders due to specification reviews caused by model changes at customers. This contrasted with favorable conditions and higher sales of automotive sensors and electronic components, etc., for smart phones at Fuji Electronics Industries Co., Ltd., which became a Group company this year in May. As a result, consolidated sales of precision machinery related products in the period under review posted 2,331,642 thousand yen (up 263.9% compared with the year-earlier period). However, with the effects of a decline in sales of high heat-resistant lenses, earnings marked an operating loss of 19,001 thousand yen (compared with an operating loss of 49,190 thousand yen in the year-earlier period).

(ii) Optical related products

Along with the increase in data volumes transported on optical telecommunications lines, the need for optical telecommunications system components has been rising on a global scale. In step with this growth, demand for inspection equipment used in the manufacturing process has also been on the rise. In the period under review, the division was able to acquire new orders thanks to robust demand, with production at the China-based manufacturing subsidiary continuing at full capacity. However, optical telecommunications system components, which are in large part standardized products, have been affected by widespread commoditization and permanent price declines. In this setting, the Company engaged in cost reductions by reducing material procurement costs, raising productivity, and reviewing product designs and specifications. Moreover, the division made concentrated efforts in product development such as for multi-core connectors that accommodate within a narrowly confined space a large number of circuits. Consolidated sales of optical related products in the period under review marked 2,135,378 thousand yen (up 20.3% compared with the year-earlier period). With this increase in sales, operating income marked 110,624 thousand yen (up 255.0% compared to the year-earlier period).

(2) Explanation of financial position

(i) Assets, liabilities, and net assets

Consolidated total assets at the end of the period under review stood at 23,247,118 thousand yen, up 2,420,551 thousand yen compared with the end of the previous fiscal year. Current assets posted 12,830,165 thousand yen, down 2,037,268 thousand yen compared with the end of the previous fiscal year. Main factors were the acquisition of the share capital of Fuji Electronics Industries Co., Ltd. and a fall in cash and

deposits. Non-current assets stood at 10,416,952 thousand yen, up 4,457,820 thousand yen compared with the end of the previous fiscal year. The main factor was the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries, which caused an increase in non-current assets such as buildings and structures, machinery, devices, and transportation equipment, as well as goodwill.

Consolidated total liabilities at the end of the period under review stood at 3,253,652 thousand yen, up 2,003,772 thousand yen compared with the end of the previous fiscal year. The main factor was the addition of Fuji Electronics Industries Co., Ltd. to consolidated subsidiaries, which caused an increase in accounts receivable and provisions for employee retirement benefits.

Consolidated net assets at the end of the period under review stood at 19,993,465 thousand yen, up 416,779 thousand yen compared with the end of the previous fiscal year. The main factor was a rise in foreign currency translation adjustments.

(ii) Cash flows

Consolidated cash and cash equivalents at the end of the period under review totaled 1,914,807 thousand yen, down 284,597 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 gained from operating activities was 242,374 thousand yen, compared with 123,654 thousand yen used in operating activities in the year-earlier period. Cash-providing main factors included 105,227 thousand yen in pretax income, a 110,328 thousand yen increase in accounts payable, and 264,702 thousand yen in depreciation charges, while cash-using main factors included a 353,655 thousand yen increase in accounts receivable.

(Cash flows from investing activities)

Net cash used in investing activities was 588,655 thousand yen, compared with 178,250 thousand yen used in investing activities in the year-earlier period. Cash-providing main factors included a 3,730,725 thousand yen net difference between new and re-paid term deposits, while cash-using main factors included 4,151,888 thousand yen in expenditure for the acquisition of subsidiary share capital and 194,098 thousand yen in expenditures for the acquisition of property, plant, and equipment.

(Cash flows from financing activities)

Cash used in financing activities was 53,392 thousand yen (unchanged from the year-earlier period). The main cash-using factor was 41,545 thousand yen in dividend payments.

(3) Explanation of consolidated results forecasts and forward-looking information

With respect to the consolidated results forecasts for the fiscal year to March 2014, based on the operating results to date, the interim consolidated forecasts released on May 10, 2013, have been revised. The details are stated in the notice dated of today (November 8, 2013) entitled "Notice concerning the difference between interim consolidated results forecasts and actual results, and concerning the difference between non-consolidated interim results of the year-earlier and the current fiscal year ." Notably, the consolidated results forecast for the fiscal year to March 2014 remains unchanged.

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

Not applicable.

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, 2013)	At the end of the current Second quarter (as of September 30, 2013)
Assets		
Current assets		
Cash and deposits	12,580,693	8,608,284
Notes and accounts receivable-trade	1,121,795	2,297,586
Merchandise and finished goods	253,344	281,681
Work in process	255,659	434,431
Raw materials and supplies	456,952	658,093
Income taxes receivable	11,071	17,604
Other	193,003	538,017
Allowance for doubtful accounts	(5,085)	(5,534)
Total current assets	14,867,434	12,830,165
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	4,017,659	5,108,588
Accumulated depreciation	(2,369,171)	(3,267,258)
Buildings and structures, net	1,648,488	1,841,330
Machinery, equipment and vehicles	2,109,670	4,405,453
Accumulated depreciation	(1,875,514)	(3,700,217)
Machinery, equipment and vehicles, net	234,156	705,236
Land	2,035,325	2,246,539
Construction in progress	206,824	432,953
Other	1,685,348	4,329,429
Accumulated depreciation	(1,459,702)	(3,888,318)
Other, net	225,645	441,110
Total property, plant and equipment	4,350,440	5,667,170
Intangible assets		
Goodwill	—	2,429,653
Customer related assets	—	649,878
Other	56,605	74,105
Total intangible assets	56,605	3,153,637
Investments and other assets		
Investment securities	550,480	555,407
Real estate for investment, net	932,756	940,819
Other	68,848	99,917
Total investments and other assets	1,552,085	1,596,144
Total noncurrent assets	5,959,131	10,416,952
Total assets	20,826,566	23,247,118

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2013)	At the end of the current Second quarter (as of September 30, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	189,650	1,198,062
Income taxes payable	24,109	215,544
Reserve for bonuses	—	66,743
Other	380,582	660,672
Total current liabilities	594,341	2,141,023
Noncurrent liabilities		
Provision for retirement benefits	411,133	659,846
Long-term accounts payable-other	145,370	145,370
Long-term guarantee deposited	77,098	68,532
Long-term lease deposited	19,037	19,037
Deferred tax liability	2,899	157,687
Other	—	62,155
Total noncurrent liabilities	655,538	1,112,628
Total liabilities	1,249,880	3,253,652
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	2,795,903	2,724,758
Treasury stock	(427,246)	(427,279)
Total Shareholders' equity	19,731,759	19,660,582
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	927	1,804
Foreign currency translation adjustment	(170,079)	313,621
Total accumulated other comprehensive income	(169,151)	315,425
Subscription rights to shares	14,078	15,936
Minority interests	—	1,522
Total net assets	19,576,686	19,993,465
Total liabilities and net assets	20,826,566	23,247,118

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

(Unit: Thousands of yen)

	Six months ended September 30, 2012 (from April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)
Sales amount	2,416,399	4,467,021
Cost of sales	1,538,191	3,194,019
Gross profit	878,208	1,181,379
Selling, general and administrative expenses	530,605	530,605
Operating income (or loss)	(18,032)	91,622
Non-operating income		
Interest income	15,717	10,481
Dividends income	172	204
The charge of operating trust	21,564	—
Rent of real estate for investment	19,951	24,716
Gains on foreign exchange	—	41,473
Other	4,239	8,201
Total non-operating income	61,646	85,077
Non-operating expenses		
Cost of real estate rent	6,976	8,148
Del credere commission	15,844	—
Equity in losses of affiliates	—	52,114
Foreign exchange losses	14,798	—
Other	838	11,819
Total non-operating expenses	38,457	72,082
Ordinary income	5,156	104,617
Extraordinary income		
Gain on sales of noncurrent assets	7	751
Total extraordinary income	7	751
Extraordinary loss		
Loss on disposition of non-current assets	—	141
Loss on retirement of noncurrent assets	4,493	—
Total extraordinary losses	4,493	141
Net income for the period before income taxes	670	105,227
Income taxes-current	54,195	142,401
Income taxes-deferred	1,217	(12,114)
Total income taxes	55,412	130,286
Income (loss) for the quarter before minority interests	(54,741)	(25,059)
Minority interests in income	—	385
Income (loss) for the quarter	(54,741)	(25,445)

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

(Unit: Thousands of yen)

	Six months ended September 30, 2012 (from April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)
Income (loss) for the quarter before minority interests	(54,741)	(25,059)
Other comprehensive income		
Net unrealized holding gains on securities	(2,557)	876
Foreign currency translation adjustments	28,103	440,275
Equity in earnings of equity-method affiliates	—	43,425
Total other comprehensive income	25,546	484,576
Comprehensive income	(29,195)	459,517
(Items)		
Comprehensive income attributable to owners of the parent	(29,195)	459,132
Comprehensive income attributable to minority interests	—	385