



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2017 [Japan GAAP]

November 11, 2016
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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 Due date of quarterly financial statements submission November 11, 2016
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2017 (April 1, 2016 to September 30, 2016)

(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, 2016 | 6,260 | 6.0 | 656 | 51.4 | 666 | 44.3 | 425 | 68.5 |
| Six months ended September 30, 2015 | 5,904 | 10.4 | 433 | 90.9 | 462 | 68.1 | 252 | 146.0 |

| | Net profit per share | Fully diluted net profit per share |
|-------------------------------------|----------------------|------------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2016 | 46.10 | - |
| Six months ended September 30, 2015 | 27.46 | 27.36 |

(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, 2016 | 24,442 | 20,866 | 85.4 | 2,257.35 |
| Fiscal year ended March 31, 2016 | 24,840 | 21,190 | 85.3 | 2,302.30 |
| (Reference) Shareholders' equity | Six months ended September 30, 2016 | 20,866 million yen | Fiscal year ended March 31, 2016 | 21,182 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, 2016 | - | 0.00 | - | 16.00 | 16.00 |
| Fiscal year ending March 31, 2017 | - | 0.00 | - | - | - |
| Fiscal year ending March 31, 2017 (Forecast) | - | - | - | 16.00 | 16.00 |

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, 2017 (April 1, 2016 to March 31, 2017)

(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 | 12,500 | 2.6 | 900 | (3.3) | 950 | (1.8) | 550 | (0.1) | 59.62 |

Note: Revision to the forecast for the figures of consolidated business performance during the current first quarter: None

1. Qualitative information on quarterly financial results

(1) Business results information

The Japanese economy in the period under review faced increasingly uncertain prospects caused by yen strengthening. While corporate facility investment displayed signs of stagnation, corporate earnings proceeded on a moderate recovery path. Environments continued to improve for employment and household incomes, combined with a nascent recovery of consumer sentiment. The global economy saw robust growth continue in the US, with a moderately paced recovery trend in Europe. However, the economic slowdown in China persisted and also emerging economies in Asia saw growth remaining at a low level.

In the information and telecommunications-related markets and electronics-related markets relevant to the Group, smartphone markets have been slowing notably in industrialized economies, while the diffusion of low-price models continues centered on emerging economies, with new smartphone manufacturers based in China expanding their market shares. Likewise, with the PC market lacking vigor, PC manufacturers were looking for opportunities for business integration with other firms. By contrast, the Internet of Things (IoT), which connects all kinds of machinery beyond PCs and mobile terminals to the Internet, has been spurring the development and practical application of new devices, software, and services. In the market for automotive applications, accelerating development surrounding automotive self-driving systems has put the spotlight on advances in key devices such as automotive cameras and sensors.

In this environment, based on the medium-term management plan "Master Plan 2016" commencing in the period under review, the Group has been working on the implementation of measures (i) strengthening earnings of existing businesses, (ii) business portfolio optimization, and (iii) reinforcing the management base.

(i) In order to strengthen the earning power of existing businesses, two segments, the Precision Machinery Business (with main products in molds and precision molded products for automotive applications and electronic equipment) and the Optical Products Business (with main products in optical communications components, related machinery, and optical transmission units), have been at the focus of efforts to upgrade selling capabilities and price competitive strength, along with measures to accelerate the development speed of new products and technologies. (ii) In order to optimize the business portfolio, the Development Promotion Meeting was incepted, which serves the cross-divisional information sharing on matters such as market needs, technology seeds at the Group, advances in development projects, and technology issues, with a view to promoting the creation of next-generation businesses. (iii) In order to reinforce the management base, the Company adopted an audit committee-based corporate governance structure at the annual general meeting of shareholders held in June, and in order to further enhance shareholder value took steps to create management structures designed to strengthen the supervisory functions of the board of directors.

As a result of these measures, second-quarter consolidated sales posted ¥6,260,354 thousand (+6.0% compared with the year-earlier period). The sales increase lifted operating income to ¥656,303 thousand (+51.4%), with ordinary income of ¥666,814 thousand (+44.3), and with ¥425,294 thousand (+68.5%) in net income for the quarter attributable to shareholders of the parent company.

Business results by segment developed as follows. Starting with the period under review, as a result of changes in the organization of the Company, the lens business previously categorized as belonging to the Precision Machinery Business was shifted to the Optical Products Business. In the following segment business results, comparisons with the year-earlier periods use numbers prepared based on this change.

(i) Precision Machinery Business

The Precision Machinery Business has been focused on increasing sales of precision molded products. In the period under review, the division has been showcasing its molding technologies by exhibiting at trade fairs and through the Company's corporate website. While keeping close contact with customers who have made trade inquiries, efforts continued to resolve technical issues on the way to volume production. In March 2016, a new plant for automotive molded products was completed in Chitose city, Hokkaido prefecture, with volume production frameworks put into place in preparation for the commencement of shipments in the third quarter. As a result, sales for the period under review at the Precision Machinery Business increased to ¥3,854,576 thousand (+10.9% compared with the year-earlier period). Along with the sales increase, operating income rose to ¥436,217 thousand (+20.6%).

(ii) Optical Products Business

Digital data traffic volumes over the Internet continue to surge, driven by the diffusion of smartphones and other mobile terminals and ballooning video transmission volumes on the back of it. This development has been spurring new optical communications network installations on a global scale, with continuing growth in demand for optical communications components. For customers in broadcasting, sales of optical transmission units have been increasing, which use technologies for the conversion of video radio waves into optical signals for the transmission of video data. However, high heat-resistant lenses, which performed strongly in the same period of the previous year, posted sales declines induced by the ebbing demand for smartphones. Based on these developments, sales for the period under review at the Optical Products Business slipped to ¥2,405,778 thousand (-0.9% compared with the year-earlier period). Operating income rose to ¥220,086 thousand (+202.6%) on higher sales of products with strong margins.

(2) Financial status information

Consolidated assets at the end of the period under review totaled ¥24,442,836 thousand, reflecting an increase of ¥397,169 thousand compared with the end of the previous fiscal year. Current assets increased ¥1,093 thousand to ¥14,418,177 thousand compared with the end of the previous fiscal year. Main factors comprised higher accounts receivable-trade and increased cash and deposits respectively lifted by the gains in sales and earnings, while accounts receivable-other declined due to progress in the collection of factoring claims. Non-current assets decreased ¥398,262 thousand compared with the end of the previous fiscal year to ¥10,024,659 thousand. The main factor was depreciation charges on buildings, machinery and equipment, and goodwill.

Consolidated liabilities at the end of the period under review totaled ¥3,575,961 thousand, reflecting a decrease of ¥73,541 thousand compared with the end of the previous fiscal year. The main factor was a drop in corporation taxes payable.

Consolidated net assets at the end of the period totaled ¥20,866,874 thousand, reflecting a decrease of ¥323,628 thousand compared with the end of the previous fiscal year. The main factor was a decrease in the currency translation adjustment account.

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

In the period under review, sales of automotive molded products and optical transmission units developed favorably, with sales and earnings exceeding initially released projections. Although demand for press molded products for electronic equipment shows signs of stagnation starting in the third quarter, earnings are seen to surpass the full-year projections announced at the beginning of the fiscal year, which were therefore revised on October 21, 2016, as stated below. Assumed foreign exchange rates associated with the revision of full-year projections are 1USD/JPY100, 1EUR/JPY110, and 1CNY/JPY15.5. Details are provided in the press release entitled "Notice concerning the revision of first-half and full-term results projections for the fiscal year to March 2017" available on the corporate website of the Company.

| | Sales | Operating income | Ordinary income | Net income for the period attributable to shareholders of the parent company | Net income per share |
|----------------------------|-------------|------------------|-----------------|--|----------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous projections (A) | 12,500 | 830 | 890 | 470 | 51.12 |
| Revised projections (B) | 12,500 | 900 | 950 | 550 | 59.62 |
| Change in amount (B) - (A) | — | +70 | +60 | +80 | — |
| Change in percent (%) | — | +8.4 | +6.7 | +17.0 | — |

* The projections stated above are based on information available when this information was prepared. Actual results may differ from the stated projections due to changes in various factors.

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, 2016) | At the end of the current Second quarter (As of September 30, 2016) |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,050,508 | 9,221,309 |
| Notes and accounts receivable-trade | 2,618,264 | 2,884,939 |
| Merchandise and finished goods | 321,540 | 313,495 |
| Work in process | 430,255 | 492,987 |
| Raw materials and supplies | 876,356 | 803,924 |
| Income taxes receivable | 74,418 | 117,217 |
| Other | 1,050,974 | 589,652 |
| Allowance for doubtful accounts | (5,235) | (5,348) |
| Total current assets | 14,417,083 | 14,418,177 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 6,190,663 | 6,180,093 |
| Accumulated depreciation | (3,631,713) | (3,660,627) |
| Buildings and structures, net | 2,558,949 | 2,519,465 |
| Machinery, equipment and vehicles | 4,959,130 | 4,912,903 |
| Accumulated depreciation | (3,910,965) | (3,829,900) |
| Machinery, equipment and vehicles, net | 1,048,165 | 1,083,002 |
| Land | 2,335,796 | 2,335,796 |
| Construction in progress | 358,172 | 282,396 |
| Other | 4,655,912 | 4,675,616 |
| Accumulated depreciation | (4,199,924) | (4,226,867) |
| Other, net | 455,988 | 448,749 |
| Total property, plant and equipment | 6,757,071 | 6,669,410 |
| Intangible assets | | |
| Goodwill | 1,806,888 | 1,680,855 |
| Customer related assets | 481,806 | 448,192 |
| Other | 112,584 | 113,057 |
| Total intangible assets | 2,401,279 | 2,242,105 |
| Investments and other assets | | |
| Investment securities | 248,114 | 227,018 |
| Real estate for investment, net | 982,724 | 845,645 |
| Other | 33,731 | 40,479 |
| Total investments and other assets | 1,264,570 | 1,113,142 |
| Total noncurrent assets | 10,422,921 | 10,024,659 |
| Total assets | 24,840,005 | 24,442,836 |

(Unit: Thousands of yen)

| | Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2016) | At the end of the current Second quarter (As of September 30, 2016) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 1,330,120 | 1,349,723 |
| Income taxes payable | 350,629 | 282,904 |
| Reserve for bonuses | 80,172 | 81,322 |
| Other | 830,242 | 815,151 |
| Total current liabilities | 2,591,163 | 2,529,103 |
| Noncurrent liabilities | | |
| Retirement benefit liabilities | 747,271 | 754,040 |
| Long-term accounts payable-other | 145,370 | 145,370 |
| Long-term guarantee deposited | 25,699 | 17,133 |
| Long-term lease deposited | 19,037 | 19,037 |
| Deferred tax liability | 81,469 | 71,960 |
| Other | 39,491 | 39,316 |
| Total noncurrent liabilities | 1,058,339 | 1,046,858 |
| Total liabilities | 3,649,502 | 3,575,961 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,791,682 | 6,791,682 |
| Capital surplus | 10,571,419 | 10,571,419 |
| Retained earnings | 3,364,509 | 3,576,887 |
| Treasury stock | (293,014) | (197,761) |
| Total Shareholders' equity | 20,434,597 | 20,742,228 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3,070) | (2,099) |
| Foreign currency translation adjustment | 796,967 | 168,583 |
| Cumulative adjustment of retirement benefits | (45,556) | (41,837) |
| Total accumulated other comprehensive income | 748,340 | 124,646 |
| Subscription rights to shares | 7,564 | — |
| Total net assets | 21,190,502 | 20,866,874 |
| Total liabilities and net assets | 24,840,005 | 24,442,836 |

(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 | 5,904,961 | 6,260,354 |
| Cost of sales | 4,034,267 | 4,205,522 |
| Gross profit | 1,870,693 | 2,054,832 |
| Selling, general and administrative expenses | 1,437,327 | 1,398,528 |
| Operating income | 433,366 | 656,303 |
| Non-operating income | | |
| Interest income | 5,839 | 3,261 |
| Dividends income | 517 | 276 |
| Income from subsidies | 2,201 | 6,987 |
| Rent of real estate for investment | 29,398 | 21,852 |
| Equity in earnings of affiliates | 2,322 | 7,446 |
| Gains on foreign exchange | 5,550 | — |
| Other | 9,349 | 19,617 |
| Total non-operating income | 55,180 | 59,441 |
| Non-operating expenses | | |
| Cost of real estate rent | 11,260 | 4,870 |
| Foreign exchange losses | — | 39,755 |
| Loss on valuation of derivatives | 11,597 | — |
| Other | 3,508 | 4,304 |
| Total non-operating expenses | 26,366 | 48,930 |
| Ordinary income | 462,179 | 666,814 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 93 | 361 |
| Total extraordinary income | 93 | 361 |
| Extraordinary loss | | |
| Loss on disposition of non-current assets | — | 809 |
| Total extraordinary losses | — | 809 |
| Net income for the period before income taxes | 462,273 | 666,366 |
| Income taxes-current | 230,687 | 246,872 |
| Income taxes-deferred | (20,795) | (5,800) |
| Total income taxes | 209,891 | 241,072 |
| Net income | 252,381 | 425,294 |
| Net income for the period attributable to shareholders of the parent company | 252,381 | 425,294 |

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

(Unit: Thousands of yen)

| | Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015) | Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016) |
|---|---|---|
| Net income for the quarter | 252,381 | 425,294 |
| Other comprehensive income | | |
| Net unrealized holding gains on securities | (3,216) | 971 |
| Foreign currency translation adjustments | 53,675 | (599,613) |
| Cumulative adjustment of retirement benefits | (5,202) | 3,718 |
| Equity in earnings of equity-method affiliates | (24,311) | (28,770) |
| Total other comprehensive income | 20,944 | (623,694) |
| Comprehensive income | 273,326 | (198,399) |
| (Items) | | |
| Comprehensive income attributable to owners of the parent | 273,326 | (198,399) |