



## 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.  
 Code number 6834 URL <http://www.seikoh-giken.co.jp>  
 Representative (Title) President & CEO (Name) Masatoshi Ueno  
 Inquiries (Title) Department Manager (Name) Yuji Saitoh Tel. +81-047-388-6401  
 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)
<b>Assets</b>		
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)
<b>Total current assets</b>	<b>14,417,083</b>	<b>14,418,177</b>
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
<b>Total property, plant and equipment</b>	<b>6,757,071</b>	<b>6,669,410</b>
Intangible assets		
Goodwill	1,806,888	1,680,855
Customer related assets	481,806	448,192
Other	112,584	113,057
<b>Total intangible assets</b>	<b>2,401,279</b>	<b>2,242,105</b>
Investments and other assets		
Investment securities	248,114	227,018
Real estate for investment, net	982,724	845,645
Other	33,731	40,479
<b>Total investments and other assets</b>	<b>1,264,570</b>	<b>1,113,142</b>
<b>Total noncurrent assets</b>	<b>10,422,921</b>	<b>10,024,659</b>
<b>Total assets</b>	<b>24,840,005</b>	<b>24,442,836</b>

(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)
<b>Liabilities</b>		
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
<b>Total current liabilities</b>	<b>2,591,163</b>	<b>2,529,103</b>
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
<b>Total noncurrent liabilities</b>	<b>1,058,339</b>	<b>1,046,858</b>
<b>Total liabilities</b>	<b>3,649,502</b>	<b>3,575,961</b>
<b>Net assets</b>		
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)
<b>Total Shareholders' equity</b>	<b>20,434,597</b>	<b>20,742,228</b>
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)
<b>Total accumulated other comprehensive income</b>	<b>748,340</b>	<b>124,646</b>
Subscription rights to shares	7,564	—
<b>Total net assets</b>	<b>21,190,502</b>	<b>20,866,874</b>
<b>Total liabilities and net assets</b>	<b>24,840,005</b>	<b>24,442,836</b>

(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)