



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2018 [Japan GAAP]

November 10, 2017
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2018 (April 1, 2017 to September 30, 2017)

(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, 2017	6,721	7.4	450	(31.4)	484	(27.3)	540	27.2
Six months ended September 30, 2016	6,260	6.0	656	51.4	666	44.3	425	68.5

	Net profit per share		Fully diluted net profit per share	
	Yen		Yen	
Six months ended September 30, 2017	58.52		—	
Six months ended September 30, 2016	46.10		—	

(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, 2017	25,631	21,860	85.2	2,363.13
Fiscal year ended March 31, 2017	25,026	21,567	86.2	2,333.15

(Reference) Shareholders' equity Six months ended September 30, 2017 21,844 million yen Fiscal year ended March 31, 2017 21,567 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, 2017	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2018	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	27.00	27.00

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, 2018 (April 1, 2017 to March 31, 2018)

(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	13,100	3.6	940	(11.8)	1,050	(9.9)	920	14.9	99.63

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 global economy in the period under review proceeded largely on a recovery path. In the US, despite some negative effects from the large hurricanes in August and September, business conditions remain poised for steady growth centered on manufacturing. In Europe, with receding political uncertainty after the passage of elections in key countries, the economies of EU countries have kept on a rebounding trend. The Chinese economy has steadied its descent to a moderate pace, aided by public infrastructure investments and other fiscal policy support, while measures to reign in property investment and adjust excess facilities continue. Benefiting from these trends in overseas economies, the Japanese economy, too, has been growing at a robust pace. With production on the rise at manufacturing companies, personal consumption has been rebounding on the back of improvements in employment and household incomes.

The market for electronics relevant to Seikoh Giken group has been seeing AI (artificial intelligence) and IoT (Internet of Things) technology applications make further inroads into a range of industrial fields. In car electronics, IoT has enabled connected technologies that bring unprecedented comfort to driving environments and has led to rapidly advancing technology development aimed at achieving the commercial viability of self-driving vehicles. The spreading of IoT has been promoting the evolution of communications environments that permit the effective use of big data. In the information and telecommunications-related sector, this has spurred large-scale data center construction and 5G technology development efforts aiming at the commercialization of the 5th generation of ultra-high speed broadband cellular network standard.

In this setting, Seikoh Giken group continued with the implementation of measures set out in its medium-term management plan "Masterplan 2016," initiated in the previous fiscal year, namely, (1) strengthening the earning power of existing businesses, (2) optimizing the business portfolio, and (3) reinforcing the management base.

(1) In order to strengthen the earning power of existing businesses, Seikoh Giken worked to boost sales capabilities and price competitiveness both at the Precision Machinery Business (with main products in precision molded products, molds, and precision processed metal parts, etc.) and at the Optical Product Business (with main products in optical communication components, related equipment, and optical transmission units, etc.) and promoted in both businesses the development of new products and new technologies. (2) With a view to optimizing the business portfolio, Seikoh Giken group further increased its equity stake in France-based measurement instrument manufacturer DATA PIXEL SAS, and in order to expand the business areas of Seikoh Giken group changed the status of the DATA PIXEL SAS from an equity-method affiliate to a consolidated subsidiary. (3) Efforts to reinforce the management base surrounded strengthening the governance systems of subsidiaries and creating group frameworks to facilitate synergy effects for future endeavors.

As a result of these measures, second-quarter consolidated sales posted 6,721,590 thousand yen (7.4% compared with the year-earlier period). As to earnings performance, mainly due to weak sales of high-margin products, operating income decreased 31.4% from the year earlier period to 450,366 thousand yen and ordinary income fell 27.3% to 484,755 thousand yen. Net income for the quarter attributable to shareholders of the parent company posted 540,994 thousand yen, up 27.2% from the year-earlier period, due to an extraordinary gain resulting from the phased acquisition of additional equity in DATA PIXEL SAS.

Segment performances developed as follows.

(i) Precision Machinery Business

The Precision Machinery Business has been stressing efforts to increase sales of precision molded products. In the period under review, activities involved showcasing the products of Seikoh Giken group on the corporate website, increasing opportunities for contact with new customers, and nurturing the contact with new customers after first trade inquiries. At the same time, efforts continued to clear technical problems in preparation for the volume production of molded products. Along with these efforts, the Precision Machinery Business worked on applications for technologies developed since the time of the founding of Seikoh Giken for precision molds,

thin-wall molding, and micro-transfer, and pushed ahead with the development of high added-value precision molded products for new markets such the healthcare and bio-sciences. In automotive molded products, along with the shift of production from the existing factory in Shizuoka prefecture to the newly set up factory in Chitose city, Hokkaido prefecture, research was conducted surrounding the viability of the volume production of new automotive molded products using the vacated space at the Shizuoka factory. Although sales of metal pressed molded products for electronic components rebounded in the second half of the period under review, sales for the period overall declined compared with the robust sales performance in the year-earlier period. Based on the foregoing, sales at the Precision Machinery Business posted 3,744,359 thousand yen (down 2.9% compared with the year-earlier period). Reflecting lower sales of high-margin metal pressed products, operating income marked 235,282 thousand yen (down 46.1% compared with the year-earlier period).

(ii) Optical Products Business

The Optical Products Business benefited from rapidly growing data volumes transmitted over the Internet driving active growth in facility investment such as global communication networks and data centers for the processing and storage of large data volumes. With the demand trend for optical communication components on the rise, this year in April, Seikoh Giken group acquired additional equity in France-based DATA PIXEL SAS, the global top brand in inspection and measurement instruments for optical communication components. Seikoh Giken group has since added DATA PIXEL SAS to its consolidated subsidiaries. Additionally, the Optical Product Business came to market with new products such as compact high-functionality optical connectors designed for efficiently connecting optical fiber in confined spaces, in addition to polishing machines with enhanced operating performance for polishing the end planes of multi-core optical connectors. As a result, sales at the Optical Products Business in the period under review posted 2,977,230 thousand yen (up 23.8% compared with the year-earlier period). Although sales of measurement and inspection instruments increased due to the integration of DATA PIXEL SAS as a consolidated subsidiary, sales of high-margin optical transmission units declined, with operating income marking 215,084 thousand yen (down 2.3% from the year-earlier period).

(2) Financial status information

Consolidated total assets at the end of the period under review marked 25,631,980 thousand yen, reflecting an increase of 605,856 thousand yen from the end of the previous fiscal year. Current assets increased 367,762 thousand yen to 15,321,900 thousand yen compared with the end of the previous fiscal year. The main factor was a rise in notes and accounts receivable-trade on the back of higher sales and the consolidation of DATA PIXEL SAS. Non-current assets rose to 10,310,079 thousand yen, a gain of 238,093 thousand yen from the end of the previous fiscal year. The main factors were additional machinery and equipment installations for future production increases and a rise in goodwill from the consolidation of DATA PIXEL SAS.

Consolidated total liabilities at the end of the period under review marked 3,771,678 thousand yen, reflecting an increase of 313,097 thousand yen from the end of the previous fiscal year. The main factor was a rise in accounts payable-trade for materials, etc., due to higher sales and related to the consolidation of DATA PIXEL SAS.

Consolidated total net assets at the end of the period under review marked 21,860,301 thousand yen, reflecting an increase of 292,759 thousand yen from the end of the previous fiscal year. The main factor was a rise in retained earnings.

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

Consolidated financial results projections for the fiscal year ending March 2018 are largely consistent with current performance and remain unchanged from the consolidated financial results projections for the full fiscal year announced in the summary of financial statements released on May 12, 2017.

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, 2017)	At the end of the current Second quarter (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	9,837,016	9,847,276
Notes and accounts receivable-trade	2,696,445	3,009,319
Merchandise and finished goods	397,706	500,669
Work in process	483,680	451,055
Raw materials and supplies	851,628	859,922
Income taxes receivable	104,316	95,670
Other	589,266	563,623
Allowance for doubtful accounts	(5,921)	(5,637)
Total current assets	14,954,137	15,321,900
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,271,923	6,262,431
Accumulated depreciation	(3,770,605)	(3,844,386)
Buildings and structures, net	2,501,317	2,418,045
Machinery, equipment and vehicles	5,189,891	5,430,900
Accumulated depreciation	(3,989,115)	(4,100,041)
Machinery, equipment and vehicles, net	1,200,775	1,330,859
Land	2,335,796	2,335,796
Construction in progress	407,227	493,269
Other	4,886,516	5,018,842
Accumulated depreciation	(4,445,538)	(4,533,141)
Other, net	440,978	485,700
Total property, plant and equipment	6,886,095	7,063,670
Intangible assets		
Goodwill	1,554,822	1,840,750
Customer related assets	414,577	380,963
Other	108,922	99,245
Total intangible assets	2,078,322	2,320,959
Investments and other assets		
Investment securities	222,978	45,177
Real estate for investment, net	844,380	842,028
Other	40,208	38,243
Total investments and other assets	1,107,567	925,449
Total noncurrent assets	10,071,985	10,310,079
Total assets	25,026,123	25,631,980

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2017)	At the end of the current Second quarter (As of September 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	1,161,901	1,436,507
Income taxes payable	157,592	205,873
Reserve for bonuses	86,609	82,140
Other	1,019,395	986,229
Total current liabilities	2,425,498	2,710,750
Noncurrent liabilities		
Retirement benefit liabilities	767,748	787,546
Provision for stock awards for corporate officers	—	25,724
Long-term accounts payable-other	145,070	145,070
Long-term guarantee deposited	8,566	—
Long-term lease deposited	19,037	19,037
Deferred tax liability	53,524	44,595
Other	39,136	38,954
Total noncurrent liabilities	1,033,082	1,060,927
Total liabilities	3,458,581	3,771,678
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	3,952,267	4,279,695
Treasury stock	(197,761)	(169,136)
Total Shareholders' equity	21,117,608	21,473,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,392	9,228
Foreign currency translation adjustment	480,206	394,924
Cumulative adjustment of retirement benefits	(36,666)	(33,166)
Total accumulated other comprehensive income	449,933	370,985
Subscription rights to shares	—	3,186
Equity of non-controlling shareholders	—	12,467
Total net assets	21,567,541	21,860,301
Total liabilities and net assets	25,026,123	25,631,980

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

(Unit: Thousands of yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Sales amount	6,260,354	6,721,590
Cost of sales	4,205,522	4,620,705
Gross profit	2,054,832	2,100,884
Selling, general and administrative expenses	1,398,528	1,650,517
Operating income	656,303	450,366
Non-operating income		
Interest income	3,261	4,157
Dividends income	276	392
Income from subsidies	6,987	2,522
Rent of real estate for investment	21,852	21,856
Equity in earnings of affiliates	7,446	—
Gains on foreign exchange	—	1,105
Other	19,617	10,736
Total non-operating income	59,441	40,772
Non-operating expenses		
Cost of real estate rent	4,870	4,496
Foreign exchange losses	39,755	—
Other	4,304	1,886
Total non-operating expenses	48,930	6,383
Ordinary income	666,814	484,755
Extraordinary income		
Gain on sales of noncurrent assets	361	374
Gain on phased acquisition of equity	—	255,690
Total extraordinary income	361	256,065
Extraordinary loss		
Loss on disposition of non-current assets	809	250
Total extraordinary losses	809	250
Net income for the period before income taxes	666,366	740,570
Income taxes-current	246,872	206,012
Income taxes-deferred	(5,800)	(8,828)
Total income taxes	241,072	197,183
Net income	425,294	543,387
Net income for the quarter attributable to non-controlling shareholders	—	2,392
Net income for the period attributable to shareholders of the parent company	425,294	540,994

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

(Unit: Thousands of yen)

	Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Net income for the quarter	425,294	543,387
Other comprehensive income		
Net unrealized holding gains on securities	971	2,835
Foreign currency translation adjustments	(599,613)	(85,282)
Cumulative adjustment of retirement benefits	3,718	3,499
Equity in earnings of equity-method affiliates	(28,770)	—
Total other comprehensive income	(623,694)	(78,947)
Comprehensive income	(198,399)	464,439
(Items)		
Comprehensive income attributable to owners of the parent	(198,399)	461,305
Comprehensive income for the quarter attributable to non-controlling shareholders	—	3,133