



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2020 [Japan GAAP]

November 8, 2019
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.
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 Due date of quarterly financial statements submission November 8, 2019
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2020 (April 1, 2019 to September 30, 2019)

(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, 2019	7,936	6.8	944	18.6	934	6.9	622	8.9
Six months ended September 30, 2018	7,433	10.6	796	76.8	874	80.5	571	5.6

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Six months ended September 30, 2019	67.52	67.21
Six months ended September 30, 2018	61.81	—

(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, 2019	27,555	23,013	83.2	2,520.57
Fiscal year ended March 31, 2019	27,686	23,204	83.5	2,502.04

(Reference) Shareholders' equity Six months ended September 30, 2019 22,926 million yen Fiscal year ended March 31, 2020 23,128 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
Fiscal year ended March 31, 2019	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2020	—	0.00	—	—	—
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	40.00	40.00

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, 2020 (April 1, 2019 to March 31, 2020)

(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	17,200	11.0	1,800	11.2	1,850	5.4	1,250	1.4	135.22

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 overall experienced an increasing slowdown. In the US and China, exports fell as a result of the trade dispute between the two countries, and production activities and facility investments in the corporate sector were sluggish. The European economy continued to undergo stagnation as a result of growing uncertainty stemming from factors such as a stagnant foreign demand and concerns of a no-deal Brexit. In Japan, exports have been somewhat stagnant, particularly for China, and corporate earnings have been weak. Meanwhile, personal consumption continued on a moderate recovery trend as a result of solid income growth and a last-minute surge in demand prior to the consumption tax hike. In the information and telecommunications-related markets relevant to the Group, new models of smartphones released by the world's leading manufacturers captivated popular interest, and smartphones supporting the 5th generation mobile communication standard (5G) were released. In Japan, 5G trial service was provided at an international sports event venue, and preparations advanced for the full launch of commercial service. In the market for car electronics, technology development continued to advance for practical applications of autonomous driving systems and the acceleration of automotive networks.

In this environment, the Group started the last three years (second phase) of the six-year medium-term management plan "Master Plan 2016" started in fiscal year 2016, specifically (1) strengthening the earning power of existing businesses, (2) optimizing the business portfolio, and (3) reinforcing the management base.

(1) As to strengthening the earning power of existing businesses, at the Precision Machinery Business (with main products in molded products, molds, and precision metal processed parts) and at the Optical Products Business (with main products in optical communications components, related equipment, lenses, optical transmission equipment, and optical electric field sensors), efforts focused at both segments on reinforcing sales capabilities and price competitive strength as well as promoting the development of new products and technologies. (2) As to optimizing the business portfolio, we worked to strengthen partnerships with customers and partner companies in order to evolve precision molded products and lenses that are positioned as a growth potential business into a growth driver business. (3) As to reinforcing the management base, a Global Quality Meeting was held to establish a shared awareness in order to further strengthen product quality from the Group, and the Head Office has promoted flexible work schedules for work style reform in an effort to create a robust organizational structure to obtain more profits in a shorter period of time. As a result of these measures, sales for the period under review posted 7,936,566 thousand yen (+6.8% compared with the year-earlier period). In terms of earnings, sales and earnings increased compared with the year-earlier period, with operating income of 944,010 thousand yen (+18.6%), ordinary income of 934,874 thousand yen (+6.9%), and net income attributable to shareholders of the parent company of 622,377 thousand yen (+8.9%).

Business results by segment developed as follows.

(i) Precision Machinery Business

In Precision Machinery Business, sales were strong for automotive insert molded products, such as key parts for sensors which measure automotive fuel injection pressure and brake pressure, and cases for engine control units that electronically control fuel supply. The transition of production to the Chitose factory newly built in 2016 in Hokkaido is proceeding to plan. Because demand for automotive electric components can be expected to increase in the future, we aim to complete the Chitose factory during the first half of FY2020. On the other hand, sales of pressed molded products for electronic equipment suffered as a result of factors such as downward pressure on sales prices.

As a result, sales for the period under review at the Precision Machinery Business posted 4,337,464 thousand yen (-0.1% compared with the year-earlier period). Operating income decreased to 403,683 thousand yen (-9.5% compared with the year-earlier period) due to factors including an increase in costs from layout changes and a decrease in sales of pressed molded products.

(ii) Optical Products Business

In the Optical Products Business, hurried preparations for communications infrastructure reinforcement on a global level because the full launch of 5G is expected to lead to a drastic increase in volumes of digital data that are distributed. In response to this, sales grew for optical communications components that are essential for optical communication networks, and polishing machines and inspection and measurement devices used in the manufacturing of these components. In addition, we have started the volume production of micro resin lenses for smartphones. In development, we conducted trial production aimed at the commercialization of optical electric field sensors that measure the strength of high-frequency radio waves emitted from 5G base station antennas.

As a result, sales for the period under review at the Optical Products Business posted 3,599,102 thousand yen (+16.4% compared with the year-earlier period). Operating income rose to 540,327 thousand yen (+54.2% compared with the year-earlier period) on higher sales of machinery and equipment with strong margins.

(2) Financial status information

Consolidated assets at the end of the period under review totaled 27,555,680 thousand yen, reflecting a decrease of 130,393 thousand yen compared with the end of the previous fiscal year. Current assets marked 17,058,626 thousand yen, a decrease of 485,520 thousand yen compared with the end of the previous fiscal year. Main factor was a decrease in cash and deposits as a result of payments of dividends and income tax and the purchase of treasury shares, despite an increase in raw materials and supplies reflecting the growth in sales. Non-current assets marked 10,497,053 thousand yen, an increase of 355,127 thousand yen compared with the end of the previous fiscal year. Main factor was an increase in property, plant, and equipment such as machinery, equipment, and molds for the volume production of molded products.

Consolidated liabilities at the end of the period under review totaled 4,542,519 thousand yen, reflecting an increase of 61,233 thousand yen compared with the end of the previous fiscal year. Main factor was an increase in accounts payable-other for facility investments made during the period.

Consolidated net assets at the end of the period under review totaled 23,013,160 thousand yen, reflecting a decrease of 191,626 thousand yen compared with the end of the previous fiscal year. Main factors were an increase in treasury shares and a decrease in foreign currency translation adjustments.

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

There is no change to the consolidated business results projections for the fiscal year ending March 2020 announced in the summary of financial statements dated May 10, 2019 because progress is mostly going according to plans.

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, 2019)	At the end of the current Second quarter (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	11,285,404	10,893,087
Notes and accounts receivable-trade	3,632,827	3,294,725
Merchandise and finished goods	648,743	619,866
Work in process	550,739	698,033
Raw materials and supplies	749,043	864,739
Income taxes receivable	65,608	97,025
Other	614,073	592,806
Allowance for doubtful accounts	(2,292)	(1,656)
Total current assets	17,544,147	17,058,626
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,312,878	6,341,405
Accumulated depreciation	(4,056,748)	(4,117,376)
Buildings and structures, net	2,256,129	2,224,028
Machinery, equipment and vehicles	6,171,234	6,542,206
Accumulated depreciation	(4,500,920)	(4,619,033)
Machinery, equipment and vehicles, net	1,670,314	1,923,173
Land	2,335,796	2,335,796
Construction in progress	523,116	659,774
Other	5,414,470	5,813,012
Accumulated depreciation	(4,880,434)	(5,047,577)
Other, net	534,035	765,435
Total property, plant and equipment	7,319,392	7,908,207
Intangible assets		
Goodwill	1,377,504	1,213,801
Customer related assets	280,120	246,505
Other	101,823	80,380
Total intangible assets	1,759,448	1,540,688
Investments and other assets		
Investment securities	53,608	50,217
Real estate for investment, net	884,621	879,455
Other	124,855	118,483
Total investments and other assets	1,063,084	1,048,156
Total noncurrent assets	10,141,925	10,497,053
Total assets	27,686,073	27,555,680

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2019)	At the end of the current Second quarter (As of September 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	1,694,322	1,598,427
Income taxes payable	356,043	276,989
Reserve for bonuses	106,613	111,810
Other	1,221,771	1,396,518
Total current liabilities	3,378,749	3,383,745
Noncurrent liabilities		
Retirement benefit liabilities	839,155	856,769
Provision for stock awards for corporate officers	43,533	65,399
Long-term accounts payable-other	145,070	144,870
Long-term lease deposited	19,037	19,037
Deferred tax liability	16,843	1,071
Other	38,897	71,628
Total noncurrent liabilities	1,102,537	1,158,774
Total liabilities	4,481,286	4,542,519
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,571,419	10,571,419
Retained earnings	5,634,918	5,977,321
Treasury stock	(169,267)	(567,013)
Total Shareholders' equity	22,828,753	22,773,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,054	3,508
Foreign currency translation adjustment	305,374	156,062
Cumulative adjustment of retirement benefits	(9,605)	(6,135)
Total accumulated other comprehensive income	299,822	153,436
Subscription rights to shares	59,140	70,342
Equity of non-controlling shareholders	17,069	15,971
Total net assets	23,204,786	23,013,160
Total liabilities and net assets	27,686,073	27,555,680

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

(Unit: Thousands of yen)

	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)
Sales amount	7,433,723	7,936,566
Cost of sales	4,971,449	5,171,578
Gross profit	2,462,273	2,764,988
Selling, general and administrative expenses	1,665,989	1,820,977
Operating income	796,284	944,010
Non-operating income		
Interest income	4,194	10,287
Dividends income	482	505
Income from subsidies	2,820	10,333
Rent of real estate for investment	27,762	27,648
Gains on foreign exchange	36,996	-
Other	17,570	14,964
Total non-operating income	89,827	63,740
Non-operating expenses		
Cost of real estate rent	7,808	21,958
Foreign exchange losses	-	21,806
Equity in losses of affiliates	-	2,634
Compensation expenses	-	23,199
Other	3,453	3,277
Total non-operating expenses	11,262	72,876
Ordinary income	874,849	934,874
Extraordinary income		
Gain on sales of noncurrent assets	11	2,182
Total extraordinary income	11	2,182
Extraordinary loss		
Loss on disposition of non-current assets	140	568
Total extraordinary losses	140	568
Net income for the period before income taxes	874,721	936,488
Income taxes-current	346,027	319,398
Income taxes-deferred	(46,090)	(8,674)
Total income taxes	299,937	310,724
Net income	574,783	625,763
Net income for the quarter attributable to non-controlling shareholders	3,412	3,386
Net income for the period attributable to shareholders of the parent company	571,370	622,377

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

(Unit: Thousands of yen)

	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)
Net income for the quarter	574,783	625,763
Other comprehensive income		
Net unrealized holding gains on securities	(1,374)	(545)
Foreign currency translation adjustments	(192,197)	(149,311)
Cumulative adjustment of retirement benefits	2,541	3,470
Total other comprehensive income	(191,030)	(146,386)
Comprehensive income	383,753	479,377
(Items)		
Comprehensive income attributable to owners of the parent	381,081	476,544
Comprehensive income for the quarter attributable to non-controlling shareholders	2,671	2,832