



## Summary of Financial Statements for the Second Quarter of the Fiscal Year 2021 [Japan GAAP]

November 12, 2020  
Listed market: JASDAQ

Listed company name SEIKOH GIKEN Co., Ltd.  
 Code number 6834 URL <https://www.seikoh-giken.co.jp>  
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 Due date of quarterly financial statements submission November 12, 2020  
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

### 1. Consolidated business results for the second quarter of fiscal 2021 (April 1, 2020 to September 30, 2020)

(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, 2020 | 6,499       | (18.1) | 416              | (55.8) | 498             | (46.6) | 271                                                                          | (56.5) |
| Six months ended September 30, 2019 | 7,936       | 6.8    | 944              | 18.6   | 934             | 6.9    | 622                                                                          | 8.9    |

|                                     | Net profit per share |  | Fully diluted net profit per share |  |
|-------------------------------------|----------------------|--|------------------------------------|--|
|                                     | Yen                  |  | Yen                                |  |
| Six months ended September 30, 2020 | 29.72                |  | 29.69                              |  |
| Six months ended September 30, 2019 | 67.52                |  | 67.21                              |  |

### (2) Consolidated financial position

|                                     | Total assets                        |     | Net assets         |     | Shareholders' equity ratio       |     | Net assets per share |  |
|-------------------------------------|-------------------------------------|-----|--------------------|-----|----------------------------------|-----|----------------------|--|
|                                     | Million yen                         | Yen | Million yen        | Yen | %                                | Yen | Yen                  |  |
| Six months ended September 30, 2020 | 27,396                              |     | 23,322             |     | 84.9                             |     | 2,549.32             |  |
| Fiscal year ended March 31, 2020    | 27,744                              |     | 23,528             |     | 84.5                             |     | 2,571.49             |  |
| (Reference) Shareholders' equity    | Six months ended September 30, 2020 |     | 23,248 million yen |     | Fiscal year ended March 31, 2021 |     | 23,451 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       |
| Fiscal year ended March 31, 2020             | —                        | 0.00                      | —                        | 40.00           | 40.00     |
| Fiscal year ending March 31, 2021            | —                        | 0.00                      | —                        | —               | —         |
| Fiscal year ending March 31, 2021 (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, 2021 (April 1, 2020 to March 31, 2021)

(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 | 15,420      | (2.0) | 1,500            | (7.1) | 1,580           | (6.4) | 1,000                                                                        | (13.3) | 109.11               |

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 experienced broad-based dislocation caused by the impact of Covid-19. In Europe and the US, with restrictions on the movement of people and companies' business activities, consumption and capital investment continued to stagnate. By contrast, in China first signs of a consolidation in the spread of the pandemic lifted business sentiment in both manufacturing and non-manufacturing industries. In Japan, although economic activity has resumed in stages, the number of new Covid-19 infections remains unchanged. With infections spreading again in Europe and the US, the Japanese economy continues to face an uncertain outlook.

In the information and telecommunications-related markets and electronics-related markets in which the Group is involved, operating conditions deteriorated under the impact of the Covid-19 pandemic such as temporary shut-downs at factories around the world. Despite these adverse circumstances, the development and enhancement of optical communication infrastructure has been advancing steadily ahead of the full-scale operation of 5G. In addition, the increase in remote work has pushed up demand for laptop computers and tablet terminals, while progress is being made also in the digital transformation (DX) of the public and corporate sectors. In automotive-related markets, after the slump caused by Covid-19, a recovery trend has been taking hold driven by demand from China.

In this environment, the Group continued to work on promoting measures under its 6-year medium-term management plan "Master Plan 2016" initiated in fiscal year 2016, calling for "Strengthening the earning power of existing businesses," "Optimizing the business portfolio," and "Reinforcing the management base."

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. In order to optimize the business portfolio, we have worked to strengthen partnerships with customers and partner companies to evolve our precision resin molded products and lenses, which are positioned as growth potential business, into growth driver businesses. Regarding reinforcing the management base, at Head Office we continued with the implementation of bottom-up improvement activities through small group activities and promoted overtime reduction through dynamic work style reforms to generate higher profits in fewer time units, and in this way strove to establish robust organizational structures.

In parallel with these measures, all Group bases established protective measures against Covid-19 infection such as the implementation of remote work for a part of employees, restrictions on business trips, curbs on incoming visitor traffic, extensive use of web conferencing and conference calls, promotion of private car commuting and staggered work, body temperature checks before coming to work, mandatory wearing of masks, and thorough hand washing.

These measures remain currently in force at subsidiaries in Europe and the US, while Head Office and subsidiaries in Japan and China have been gradually relaxing their precautions.

As a result of these measures, sales for the period under review posted 6,499,958 thousand yen (-18.1% compared with the year-earlier period). Along with the sales decrease, operating income fell to 416,950 thousand yen (-55.8%). Ordinary income after recognition of non-operating income such as subsidy income and rent from investment property declined to 498,875 thousand yen (-46.6%), while net income attributable to shareholders of the parent company decreased to 271,044 thousand yen (-56.5%).

Segment performances developed as follows.

#### (i) Precision Machinery Business

Sales of key components for in-vehicle automotive sensors, which decreased in the first quarter due to the Covid-19 pandemic, saw demand recover in the second quarter and rebounded to almost normal operating rates by the end of the second quarter. Metal pressed molded products for electronic devices experienced a sudden demand rush for keyboard applications driven by the increase in remote work, but sales of smartphone applications declined amid stagnating demand for China-made smartphones, especially in India where Covid-19 continues to spread.

As a result, sales for the period under review at the Precision Machinery Business posted 3,775,948 thousand yen (-12.9% compared with the year-earlier period). Along with the sales decrease, operating income fell to 243,015 thousand yen (-39.8%).

(ii) Optical Products Business

Despite the continuing spread of Covid-19, optical communication infrastructure is being strengthened worldwide ahead of the full-scale operation of 5G. This benefited sales at our China-based optical connector assembly subsidiary, which recovered rapidly upon resuming operations after a temporary halt imposed under provincial government regulations. On the other hand, sales of polishing machines for optical connectors and measurement devices decreased due to fewer opportunities for face-to-face business negotiations with customers, as well as a temporary suspension of operations at our French subsidiary engaged in the manufacture and sales of measuring instruments.

As a result, sales for the period under review at the Optical Products Business posted 2,724,010 thousand yen (-24.3% compared with the year-earlier period). Along with the sales decrease, operating income fell to 173,935 thousand yen (-67.8%).

(2) Financial status information

Consolidated assets at the end of the period under review totaled 27,396,307 thousand yen, reflecting a decrease of 348,446 thousand yen compared with the end of the previous fiscal year. Current assets marked 17,224,019 thousand yen, a decrease of 115,211 thousand yen compared with the end of the previous fiscal year. The main factor was a decrease in notes and accounts receivable-trade due to lower sales. Non-current assets decreased 233,235 thousand yen compared with the end of the previous fiscal year to 10,172,288 thousand yen. The main factor was progressing depreciation of buildings and machinery and amortization of goodwill.

Consolidated liabilities at the end of the period under review totaled 4,074,111 thousand yen, reflecting a decrease of 142,559 thousand yen compared with the end of the previous fiscal year. The main factor was a decrease in accounts payable-trade for materials due to lower sales.

Consolidated net assets at the end of the period under review totaled 23,322,195 thousand yen, reflecting a decrease of 205,887 thousand yen compared with the end of the previous fiscal year. The main factors were decreases in retained earnings and 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 2021 announced in the summary of financial statements dated May 12, 2020 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<br>at the end of the previous year<br>(As of March 31, 2020) | At the end of the current Second<br>quarter<br>(As of September 30, 2020) |
|--------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>Assets</b>                              |                                                                                                    |                                                                           |
| Current assets                             |                                                                                                    |                                                                           |
| Cash and deposits                          | 11,066,728                                                                                         | 11,143,182                                                                |
| Notes and accounts receivable-trade        | 3,366,856                                                                                          | 3,266,770                                                                 |
| Merchandise and finished goods             | 690,424                                                                                            | 681,698                                                                   |
| Work in process                            | 619,794                                                                                            | 661,836                                                                   |
| Raw materials and supplies                 | 788,100                                                                                            | 806,388                                                                   |
| Income taxes receivable                    | 111,786                                                                                            | 102,327                                                                   |
| Other                                      | 697,137                                                                                            | 563,557                                                                   |
| Allowance for doubtful accounts            | (1,596)                                                                                            | (1,741)                                                                   |
| <b>Total current assets</b>                | <b>17,339,230</b>                                                                                  | <b>17,224,019</b>                                                         |
| Noncurrent assets                          |                                                                                                    |                                                                           |
| Property, plant and equipment              |                                                                                                    |                                                                           |
| Buildings and structures                   | 6,632,188                                                                                          | 6,691,574                                                                 |
| Accumulated depreciation                   | (4,181,365)                                                                                        | (4,258,929)                                                               |
| Buildings and structures, net              | 2,450,822                                                                                          | 2,432,644                                                                 |
| Machinery, equipment and vehicles          | 6,767,219                                                                                          | 6,695,379                                                                 |
| Accumulated depreciation                   | (4,808,719)                                                                                        | (4,786,331)                                                               |
| Machinery, equipment and vehicles, net     | 1,958,500                                                                                          | 1,909,048                                                                 |
| Land                                       | 2,335,796                                                                                          | 2,335,796                                                                 |
| Construction in progress                   | 542,114                                                                                            | 537,141                                                                   |
| Other                                      | 5,984,957                                                                                          | 6,185,858                                                                 |
| Accumulated depreciation                   | (5,276,238)                                                                                        | (5,424,785)                                                               |
| Other, net                                 | 708,718                                                                                            | 761,073                                                                   |
| <b>Total property, plant and equipment</b> | <b>7,995,952</b>                                                                                   | <b>7,975,703</b>                                                          |
| Intangible assets                          |                                                                                                    |                                                                           |
| Goodwill                                   | 1,061,590                                                                                          | 906,441                                                                   |
| Customer related assets                    | 212,891                                                                                            | 179,276                                                                   |
| Other                                      | 79,082                                                                                             | 69,997                                                                    |
| <b>Total intangible assets</b>             | <b>1,353,564</b>                                                                                   | <b>1,155,716</b>                                                          |
| Investments and other assets               |                                                                                                    |                                                                           |
| Investment securities                      | 45,634                                                                                             | 51,445                                                                    |
| Real estate for investment, net            | 884,557                                                                                            | 854,093                                                                   |
| Other                                      | 125,815                                                                                            | 135,329                                                                   |
| <b>Total investments and other assets</b>  | <b>1,056,007</b>                                                                                   | <b>1,040,868</b>                                                          |
| <b>Total noncurrent assets</b>             | <b>10,405,523</b>                                                                                  | <b>10,172,288</b>                                                         |
| <b>Total assets</b>                        | <b>27,744,754</b>                                                                                  | <b>27,396,307</b>                                                         |

(Unit: Thousands of yen)

|                                                       | Summary of consolidated balance sheet<br>at the end of the previous year<br>(As of March 31, 2020) | At the end of the current Second<br>quarter<br>(As of September 30, 2020) |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>Liabilities</b>                                    |                                                                                                    |                                                                           |
| Current liabilities                                   |                                                                                                    |                                                                           |
| Accounts payable-trade                                | 1,563,813                                                                                          | 1,292,673                                                                 |
| Income taxes payable                                  | 227,274                                                                                            | 200,981                                                                   |
| Reserve for bonuses                                   | 111,357                                                                                            | 93,895                                                                    |
| Other                                                 | 1,048,372                                                                                          | 1,157,066                                                                 |
| Total current liabilities                             | 2,950,817                                                                                          | 2,744,615                                                                 |
| Noncurrent liabilities                                |                                                                                                    |                                                                           |
| Retirement benefit liabilities                        | 937,909                                                                                            | 934,396                                                                   |
| Provision for stock awards for corporate officers     | 65,399                                                                                             | 85,054                                                                    |
| Long-term accounts payable-other                      | 144,870                                                                                            | 144,870                                                                   |
| Long-term lease deposited                             | 19,037                                                                                             | 19,037                                                                    |
| Deferred tax liability                                | 28,918                                                                                             | 56,319                                                                    |
| Other                                                 | 69,719                                                                                             | 89,818                                                                    |
| Total noncurrent liabilities                          | 1,265,853                                                                                          | 1,329,495                                                                 |
| Total liabilities                                     | 4,216,671                                                                                          | 4,074,111                                                                 |
| <b>Net assets</b>                                     |                                                                                                    |                                                                           |
| Shareholders' equity                                  |                                                                                                    |                                                                           |
| Capital stock                                         | 6,791,682                                                                                          | 6,791,682                                                                 |
| Capital surplus                                       | 10,624,801                                                                                         | 10,624,801                                                                |
| Retained earnings                                     | 6,508,894                                                                                          | 6,411,280                                                                 |
| Treasury stock                                        | (564,553)                                                                                          | (564,694)                                                                 |
| Total Shareholders' equity                            | 23,360,825                                                                                         | 23,263,070                                                                |
| Accumulated other comprehensive income                |                                                                                                    |                                                                           |
| Valuation difference on available-for-sale securities | 624                                                                                                | 3,730                                                                     |
| Foreign currency translation adjustment               | 165,282                                                                                            | 44,749                                                                    |
| Cumulative adjustment of retirement benefits          | (74,327)                                                                                           | (62,749)                                                                  |
| Total accumulated other comprehensive income          | 90,331                                                                                             | (14,268)                                                                  |
| Subscription rights to shares                         | 58,788                                                                                             | 58,278                                                                    |
| Equity of non-controlling shareholders                | 18,137                                                                                             | 15,115                                                                    |
| Total net assets                                      | 23,528,083                                                                                         | 23,322,195                                                                |
| Total liabilities and net assets                      | 27,744,754                                                                                         | 27,396,307                                                                |

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

(Unit: Thousands of yen)

|                                                                              | Six months ended September 30, 2019<br>(from April 1, 2019 to September 30, 2019) | Six months ended September 30, 2020<br>(from April 1, 2020 to September 30, 2020) |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Sales amount                                                                 | 7,936,566                                                                         | 6,499,958                                                                         |
| Cost of sales                                                                | 5,171,578                                                                         | 4,490,160                                                                         |
| Gross profit                                                                 | 2,764,988                                                                         | 2,009,798                                                                         |
| Selling, general and administrative expenses                                 | 1,820,977                                                                         | 1,592,847                                                                         |
| Operating income                                                             | 944,010                                                                           | 416,950                                                                           |
| Non-operating income                                                         |                                                                                   |                                                                                   |
| Interest income                                                              | 10,287                                                                            | 9,989                                                                             |
| Dividends income                                                             | 505                                                                               | 488                                                                               |
| Income from subsidies                                                        | 10,333                                                                            | 17,647                                                                            |
| Subsidy income                                                               | -                                                                                 | 23,723                                                                            |
| Rent of real estate for investment                                           | 27,648                                                                            | 26,738                                                                            |
| Equity in earnings of affiliates                                             | -                                                                                 | 398                                                                               |
| Gains on foreign exchange                                                    | -                                                                                 | 11,998                                                                            |
| Other                                                                        | 14,964                                                                            | 8,294                                                                             |
| Total non-operating income                                                   | 63,740                                                                            | 99,277                                                                            |
| Non-operating expenses                                                       |                                                                                   |                                                                                   |
| Cost of real estate rent                                                     | 21,958                                                                            | 6,277                                                                             |
| Foreign exchange losses                                                      | 21,806                                                                            | -                                                                                 |
| Equity in losses of affiliates                                               | 2,634                                                                             | -                                                                                 |
| Compensation expenses                                                        | 23,199                                                                            | -                                                                                 |
| Loss on retirement of non-current assets                                     | -                                                                                 | 9,928                                                                             |
| Other                                                                        | 3,277                                                                             | 1,147                                                                             |
| Total non-operating expenses                                                 | 72,876                                                                            | 17,352                                                                            |
| Ordinary income                                                              | 934,874                                                                           | 498,875                                                                           |
| Extraordinary income                                                         |                                                                                   |                                                                                   |
| Gain on sales of noncurrent assets                                           | 2,182                                                                             | 2,182                                                                             |
| Total extraordinary income                                                   | 2,182                                                                             | 2,182                                                                             |
| Extraordinary loss                                                           |                                                                                   |                                                                                   |
| Loss on disposition of non-current assets                                    | 568                                                                               | 158                                                                               |
| Total extraordinary losses                                                   | 568                                                                               | 158                                                                               |
| Net income for the period before income taxes                                | 936,488                                                                           | 500,903                                                                           |
| Income taxes-current                                                         | 319,398                                                                           | 218,570                                                                           |
| Income taxes-deferred                                                        | (8,674)                                                                           | 10,438                                                                            |
| Total income taxes                                                           | 310,724                                                                           | 229,008                                                                           |
| Net income                                                                   | 625,763                                                                           | 271,895                                                                           |
| Net income for the quarter attributable to non-controlling shareholders      | 3,386                                                                             | 850                                                                               |
| Net income for the period attributable to shareholders of the parent company | 622,377                                                                           | 271,044                                                                           |

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

(Unit: Thousands of yen)

|                                                                                   | Six months ended September 30, 2019<br>(from April 1, 2019 to September 30, 2019) | Six months ended September 30, 2020<br>(from April 1, 2020 to September 30, 2020) |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Net income for the quarter                                                        | 625,763                                                                           | 271,895                                                                           |
| Other comprehensive income                                                        |                                                                                   |                                                                                   |
| Net unrealized holding gains on securities                                        | (545)                                                                             | 4,354                                                                             |
| Foreign currency translation adjustments                                          | (149,311)                                                                         | (120,532)                                                                         |
| Cumulative adjustment of retirement benefits                                      | 3,470                                                                             | 11,577                                                                            |
| Total other comprehensive income                                                  | (146,386)                                                                         | (104,600)                                                                         |
| Comprehensive income                                                              | 479,377                                                                           | 167,295                                                                           |
| (Items)                                                                           |                                                                                   |                                                                                   |
| Comprehensive income attributable to owners of the parent                         | 476,544                                                                           | 166,684                                                                           |
| Comprehensive income for the quarter attributable to non-controlling shareholders | 2,832                                                                             | 610                                                                               |