



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2023 [Japan GAAP]

November 11, 2022

Listed company name	SEIKOH GIKEN Co., Ltd.	Listed market:	Tokyo Stock Exchange Standard market
Code number	6834	URL	https://www.seikoh-giken.co.jp
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Due date of quarterly financial statements submission	November 11, 2022	Tel.	+81-047-388-6401
Date of dividend payment	—		

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2023 (April 1, 2022 to September 30, 2022)

(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, 2022	8,581	12.9	708	9.9	869	31.4	649	52.1
Six months ended September 30, 2021	7,600	—	645	—	661	—	427	—

	Net profit per share		Fully diluted net profit per share	
	Yen		Yen	
Six months ended September 30, 2022	71.23		—	
Six months ended September 30, 2021	46.82		46.75	

(Note) Because the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year ended March 31, 2022, the figures for the second quarter of the fiscal year ended March 31, 2022 are after the application of this accounting standard, etc., and the rate of change from the same quarter of the previous year is not stated.

(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, 2022	31,395	26,328	83.8	2,882.13
Fiscal year ended March 31, 2022	30,339	25,494	83.8	2,785.76

(Reference) Shareholders' equity Six months ended September 30, 2022 26,294 million yen Fiscal year ended March 31, 2022 25,414 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, 2022	—	0.00	—	50.00	50.00
Fiscal year ending March 31, 2023	—	0.00	—	50.00	50.00
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	50.00	50.00

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, 2023 (April 1, 2022 to March 31, 2023)

(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	18,400	13.7	1,740	14.1	1,760	7.2	1,240	7.8	135.92

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

In the period under review, the global economy experienced a general weakening in trends toward recovery. In the USA, although corporate earnings have remained strong and both employment and the income situation have improved, rapid inflation is exerting downward pressure on the economy. In Europe, there has been no improvement in the situation in Ukraine, and interest rate hikes and skyrocketing energy prices are causing a gradual slowdown in the economy. In China, periodic restrictions imposed by the country's zero-COVID policy has kept personal consumption slow and external demand sluggish, resulting in a slowdown in economic growth. In Japan, as the seventh wave of COVID-19 begins to subside, restrictions have eased and individual consumption is recovering. Despite an improved corporate earnings environment driven by the recovery in domestic demand, slowing economies overseas and rising prices, together with the rapidly weakening yen, mean that the future remains uncertain.

Anticipating the ongoing continued growth in digital data predicted in the information and telecommunication and electronics-related markets with which the Seikoh Giken Group is involved, we have expanded our optical communications infrastructure and built new data centers, and have moved ahead with the development of high-volume high-speed communications optical devices with low power consumption. In the automotive-related market, newly released light electric vehicles are attracting attention. Additionally, the changes occurring in the automotive industry such as electrification, automated driving, and strengthened safety standards, along with the changes in the technologies required, have led to collaborations between businesses that go beyond the boundaries of the industry, as well as the arrival of new entrants from other industries.

In these circumstances, the Group has worked to implement the measures mandated under the "Master Plan 2022" five-year medium-term management plan inaugurated this year, which calls for "Rejuvenating contact points with customers," "Accelerating development of new products and new technologies," "Improving manufacturing capabilities," and "Reinforcing the management base."

As to rejuvenating contact points with customers, both the Precision Machinery Business (with main products in molded products, molds, and precision metal processed parts) and the Optical Products Business (with main products in optical communications components, related equipment, lenses, optical transmission equipment, and optical electric field sensors) focused on creating numerous opportunities to encounter new customers through our website and by exhibiting at trade shows, and on increasing the number of business negotiations.

With regard to accelerating development of new products and new technologies, we have continued to hone our technological capabilities in order to become a business group capable of contributing to the progress of society in a wider range of areas, and have shared our progress with new products and technologies throughout the company, making development status visible and allowing us to release products onto the market at the optimal time to meet the needs of the market and our customers.

To improve manufacturing capabilities, we have endeavored to strengthen relationships with our business partners to allow stable procurement and logistics on an ongoing basis amidst the unstable environment brought on by blockades of Chinese cities, and a shortage in the supply of semiconductor-related parts.

To reinforce our management base, we engaged in activities centering on the Sustainability Promotion Office that oversees sustainability activities throughout the company group. Our efforts included working to reduce emissions of greenhouse gases in order to achieve carbon neutrality by 2050, transitioning to paperless business practices, and moving to the cloud, and were aimed at constructing systems to allow us to continue our business activities in the event of an emergency.

In parallel with these measures, during the period under review, all Group bases continued to implement protective measures against COVID-19 such as checking the temperature of staff when they arrive at work, wearing of masks, thorough hand washing, and the use of two lunch periods to avoid overcrowding in the cafeteria.

As a result of these measures, net sales for the period under review posted 8,581,611 thousand yen (up 12.9% compared with the year-earlier period), the highest cumulative net sales in the second quarter since the company was established. Along with the net sales increase, operating income rose to 708,787 thousand yen (up 9.9%). Ordinary income after recognition of non-operating income such as foreign exchange gains and rental income from investment property rose to 869,413 thousand yen (up 31.4%), while net income attributable to shareholders of the parent company increased to 649,800 thousand yen (up 52.1%).

Segment performances developed as follows.

(i) Precision Machinery Business

No automobile manufacturers have recovered from the effects of the shortage in supply of semiconductors that has continued since fiscal 2021, and all are faced with production that continues to fall short of plans for the period under review. Chinese smartphone manufacturers are also facing slow sales of domestically manufactured smartphones due to sluggish consumption in China and people delaying replacing their telephones. This has resulted in lower net sales of insert molded products for use in sensors in vehicles and metal press-molded products for use in electronic equipment. Conversely, sales of molds and metal processing parts for use in preparations for mass production of molded products for vehicles from the third quarter onwards grew.

As a result, net sales for the period under review at the Precision Machinery Business increased to 4,131,584 thousand yen (up 1.1% compared with the year-earlier period). Along with the net sales increase, operating income rose to 201,975 thousand yen (up 9.0%).

(ii) Optical Products Business

The spread of COVID-19 has prompted the adoption of remote working and teleconferencing systems. Moreover, optical communications infrastructure is being strengthened in anticipation of full-scale operation of 5G, particularly in North America, with a consequent rise in demand for optical communication components. Against this backdrop, net sales of optical communication components, and manufacturing equipment such as optical connector polishing machines and measuring equipment increased significantly during the period under review. Since many optical-related products are for international customers, foreign exchanged rates resulted in higher net sales. Conversely, increased participation in trade fairs and more business trips to customers in Japan and overseas, as well as hikes in the costs of electricity, transportation, and resins and other materials have created a trend towards increased operating expenses.

As a result, net sales for the period under review at the Optical Products Business posted 4,450,027 thousand yen (up 26.6% compared with the year-earlier period). Along with the net sales increase, operating income rose to 506,812 thousand yen (up 10.3%).

(2) Financial status information

Total assets at the end of the period under review were 31,395,362 thousand yen, reflecting an increase of 1,056,261 thousand yen compared with the end of the previous fiscal year. Current assets marked 21,360,527 thousand yen, an increase of 724,891 thousand yen compared with the end of the previous fiscal year. Main factors, reflecting the growth in net sales, were increases in notes and accounts receivable - trade, work in process, and raw materials and supplies. Non-current assets marked 10,034,834 thousand yen, an increase of 331,369 thousand yen compared with the end of the previous fiscal year. This is mainly attributable to increases in buildings and structures and land owned by consolidated subsidiaries.

Consolidated liabilities at the end of the period under review totaled 5,067,143 thousand yen, reflecting an increase of 222,402 thousand yen compared with the end of the previous fiscal year. This is mainly attributable to increases in accounts payable - trade, provision for share awards for directors (and other officers), and income taxes payable.

Consolidated net assets at the end of the period under review totaled 26,328,218 thousand yen, reflecting an increase of 833,858 thousand yen compared with the end of the previous fiscal year. This was mainly due to an increase 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 2023 announced in the summary of financial statements dated May 13, 2022 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, 2022)	At the end of the current Second quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	12,386,330	12,439,942
Notes and accounts receivable-trade	4,304,472	4,514,351
Electronically recorded monetary claims - operating	540,162	532,055
Merchandise and finished goods	787,970	809,700
Work in process	894,498	1,204,198
Raw materials and supplies	1,326,988	1,534,489
Income taxes receivable	21,455	34,017
Other	375,802	294,135
Allowance for doubtful accounts	(2,045)	(2,362)
Total current assets	20,635,636	21,360,527
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,877,468	7,558,409
Accumulated depreciation	(4,589,099)	(4,754,688)
Buildings and structures, net	2,288,368	2,803,721
Machinery, equipment and vehicles	7,237,558	7,495,919
Accumulated depreciation	(5,391,034)	(5,710,160)
Machinery, equipment and vehicles, net	1,846,523	1,785,758
Land	2,335,797	2,736,867
Construction in progress	590,564	185,111
Other	4,061,465	4,302,566
Accumulated depreciation	(3,172,463)	(3,365,064)
Other, net	889,001	937,502
Total property, plant and equipment	7,950,255	8,448,962
Intangible assets		
Goodwill	462,591	321,561
Customer related assets	78,433	44,819
Other	46,455	40,232
Total intangible assets	587,480	406,612
Investments and other assets		
Investment securities	72,234	69,109
Real estate for investment, net	877,920	881,638
Other	215,574	228,511
Total investments and other assets	1,165,729	1,179,260
Total noncurrent assets	9,703,464	10,034,834
Total assets	30,339,101	31,395,362

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2022)	At the end of the current Second quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,796,653	1,875,724
Income taxes payable	179,099	217,787
Reserve for bonuses	111,056	108,554
Other	1,280,419	1,319,808
Total current liabilities	3,367,228	3,521,874
Noncurrent liabilities		
Retirement benefit liabilities	993,505	1,002,828
Provision for stock awards for corporate officers	119,565	163,937
Long-term accounts payable-other	144,870	144,870
Long-term lease deposited	19,037	19,037
Deferred tax liability	44,294	48,513
Other	156,241	166,082
Total noncurrent liabilities	1,477,512	1,545,268
Total liabilities	4,844,740	5,067,143
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,624,196	10,624,196
Retained earnings	7,861,661	8,040,841
Treasury stock	(555,531)	(555,568)
Total Shareholders' equity	24,722,008	24,901,152
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,980	9,678
Foreign currency translation adjustment	722,368	1,420,656
Cumulative adjustment of retirement benefits	(43,430)	(37,346)
Total accumulated other comprehensive income	692,917	1,392,988
Subscription rights to shares	55,865	-
Equity of non-controlling shareholders	23,567	34,077
Total net assets	25,494,360	26,328,218
Total liabilities and net assets	30,339,101	31,395,362

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

(Unit: Thousands of yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Sales amount	7,600,536	8,581,611
Cost of sales	5,187,502	5,839,814
Gross profit	2,413,034	2,741,797
Selling, general and administrative expenses	1,767,991	2,033,009
Operating income	645,042	708,787
Non-operating income		
Interest income	8,769	3,139
Dividends income	591	654
Income from subsidiaries	2,975	2,792
Subsidy income	-	359
Rent of real estate for investment	26,540	34,693
Equity in earnings of affiliates	1,082	441
Gains on foreign exchange	-	128,742
Other	7,384	10,428
Total non-operating income	47,343	181,252
Non-operating expenses		
Cost of real estate rent	6,003	7,789
Foreign exchange losses	23,258	-
Compensation expenses	-	8,909
Other	1,609	3,928
Total non-operating expenses	30,871	20,626
Ordinary income	661,515	869,413
Extraordinary income		
Gain on sales of noncurrent assets	5,525	1,854
Gain on reversal of share acquisition rights	-	55,865
Total extraordinary income	5,525	57,719
Extraordinary loss		
Loss on disposition of non-current assets	31	916
Total extraordinary losses	31	916
Net income for the period before income taxes	667,009	926,215
Income taxes-current	241,808	273,320
Income taxes-deferred	(5,188)	(746)
Total income taxes	236,620	272,574
Net income	430,388	653,641
Net income for the quarter attributable to non-controlling shareholders	3,241	3,841
Net income for the period attributable to shareholders of the parent company	427,147	649,800

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

(Unit: Thousands of yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Net income for the quarter	430,388	653,641
Other comprehensive income		
Net unrealized holding gains on securities	(245)	(4,302)
Foreign currency translation adjustments	327,478	698,288
Cumulative adjustment of retirement benefits	5,947	6,083
Total other comprehensive income	333,179	700,070
Comprehensive income	763,568	1,353,712
(Items)		
Comprehensive income attributable to owners of the parent	759,692	1,348,013
Comprehensive income for the quarter attributable to non-controlling shareholders	3,876	5,698