

# **Financial Statements**

## **Briefing Session for 2016/03 Term**

(From April 1, 2015 to March 31, 2016)



May 17, 2016

- I. Overview of Consolidated Financial Results for 2016/03 Term
- II. Medium-Term Management Plan Master Plan 2016
- III. Forecast of Consolidated Financial Results for 2017/03 Term

**I. Overview of Consolidated Financial Results for  
2016/03 Term**

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2017/03 Term

# Consolidated Financial Statements for 2016/03 Term Highlights (Part1)

(¥ Million)	2016/03 Term	2015/03 Term	Year-on-year percentage Change	Estimated value of business results (November 14, 2015)
Sales Amount	12,182	11,517	5.8%	12,170
Precision Machinery	7,594	6,814	11.4%	7,320
Fiber Optic Components & Instrumental	4,587	4,702	(2.4%)	4,850
Operating Profit	930	548	69.6%	800
Ordinary Profit	967	644	50.0%	840
Net Profit	550	303	81.2%	420

# Consolidated Financial Statements for 2016/03 Term Highlights (Part2)

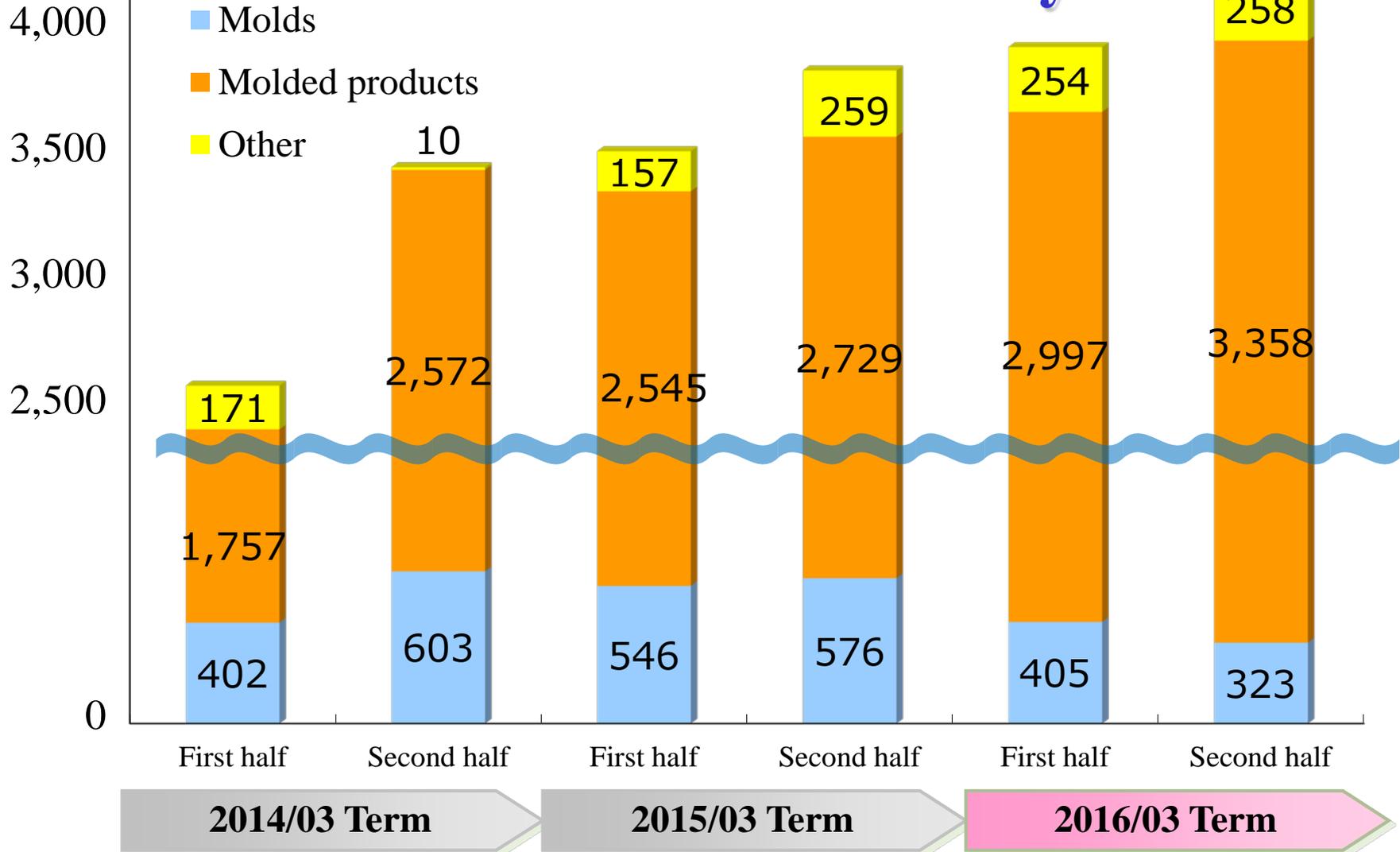
(¥ Million)	2016/03 Term	2015/03 Term	Year-on-year percentage change
Orders Received	12,539	11,773	6.5%
Orders Backlog	1,413	1,056	33.7%
Equipment Investment	1,541	819	88.2%
Depreciation Expenses	961	958	0.3%
R & D Expenses	350	362	(3.2%)

## Business Results by Segment/ Precision Machinery

(¥ Million)	2016/03 Term	2015/03 Term	Year-on-year percentage change
Sales Amount	7,594	6,814	11.4 %
Operating Expenses	6,977	6,509	7.2 %
Operating Profit	617	305	102.3 %
Operating Profit Ratio	8.1 %	4.5 %	—

# Sales Amounts by Product / Precision Machinery

¥ Million

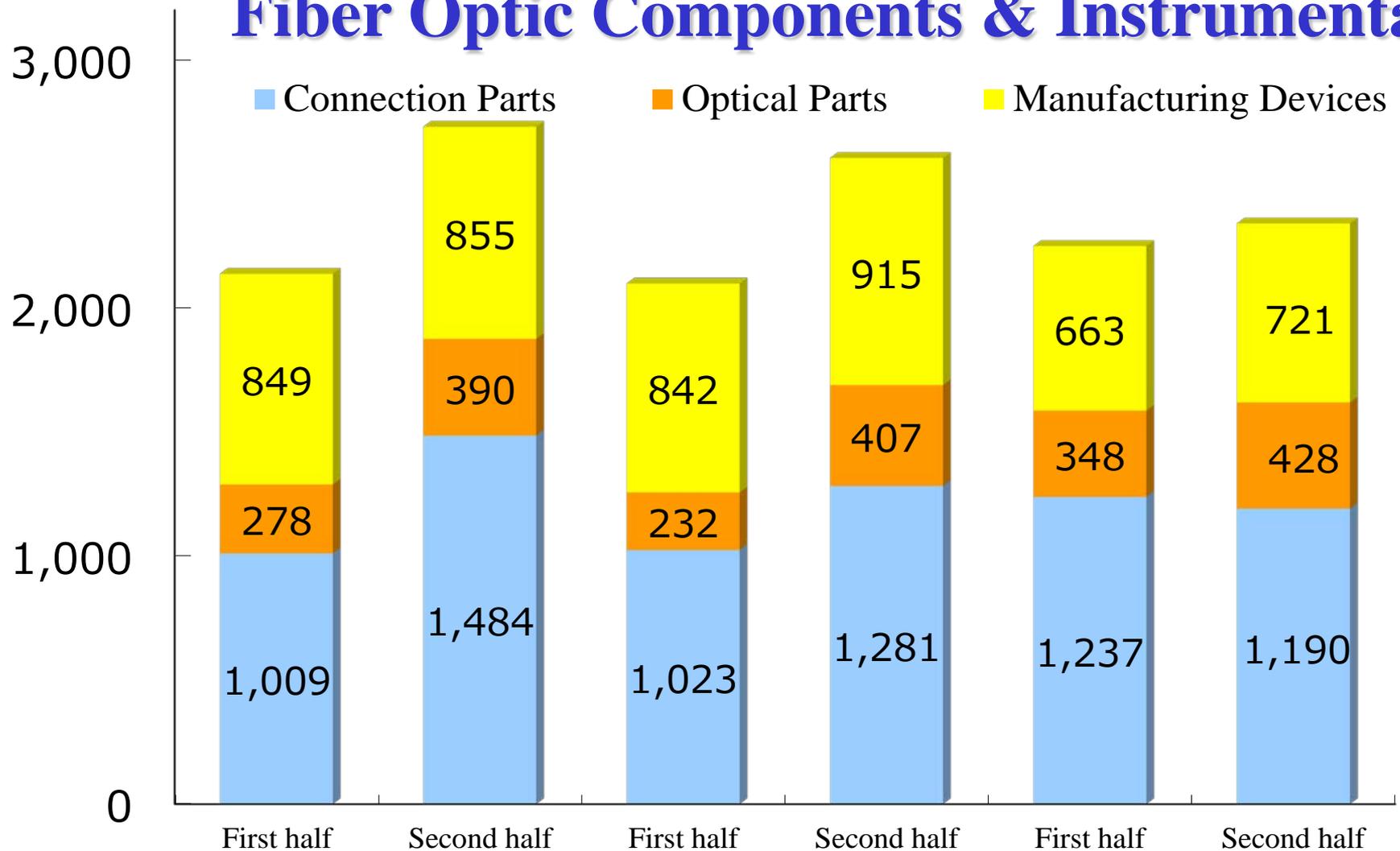


## Business Results by Segment/ Fiber Optic Components & Instrumental

(¥ Million )	2016/03 Term	2015/03 Term	Year-on-year percentage change
Sales Amount	4,587	4,702	(2.4 %)
Operating Expenses	4,274	4,456	(4.1 %)
Operating Profit	313	245	27.5 %
Operating Profit Ratio	6.8 %	5.2 %	—

# Sales Amounts by Product / Fiber Optic Components & Instrumental

¥ Million



**2014/03 Term**

**2015/03 Term**

**2016/03 Term**

# Consolidated Balance Sheet

(¥ Million)

[Assets]	2016/03 Term	2015/03 Term	Amount (Increase/Decrease)
Current Assets	14,417	14,236	181
Fixed Assets	10,422	10,013	409
<b>Total Assets</b>	<b>24,840</b>	<b>24,250</b>	<b>590</b>
<b>[Liabilities and Net Assets]</b>			
Current Liabilities	2,591	2,184	407
Fixed Liabilities	1,058	1,042	16
Net Assets	21,190	21,022	168
<b>Total Liabilities/ Net Assets</b>	<b>24,840</b>	<b>24,250</b>	<b>590</b>

# Consolidated Cash Flow Statement

(¥ Million)	2016/03 Term	2015/03 Term
CF - Operating	1,233	882
CF - Investing	(801)	(1,012)
CF- Financing	(72)	(68)
Increase in Cash	301	(74)
Balance at the beginning of term	2,526	2,601
Balance at the end of term	2,828	2,526

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~ Medium-Term Management Plan  
Summary of Master Plan 2010 ~

# Outline of the Master Plan 2010

## ■ Corporate vision of the Company

### ■ Management philosophy

Provide high-quality products through superior technology and creativeness, contribute to the furtherance of society, pursue the growth of the Company and the happiness of employees, and fulfill related social responsibilities.

### ■ Vision

Become global customers' best partner centered on precision machining

- The one and only partner indispensable for customers' growth

### ■ Management targets

Consolidated sales: 10 billion yen / Consolidated operating income: 1.3 billion yen

# Outline of the Master Plan 2010

## ■ Fundamental policies

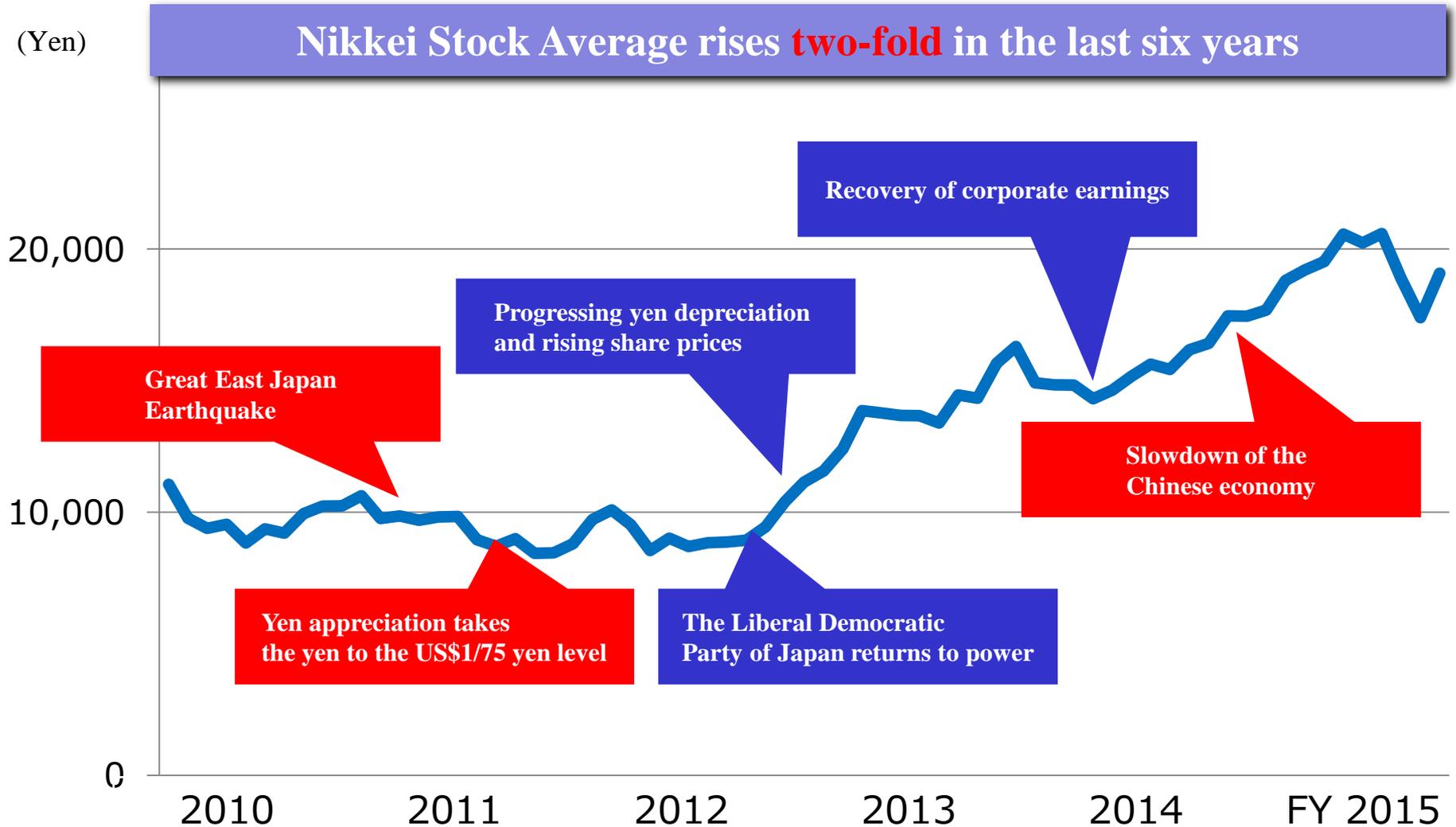
■ **Business restructuring measures**  
Business selection and concentration

- **Business expansion**
- Existing businesses: Marketing strategies (product specific and customer specific)
  - Development operations: Selection and concentration / acceleration of commercialization

■ **Organization reform**  
Wide-ranging reviews of organizational operating frameworks / personnel systems

# Change in market environments

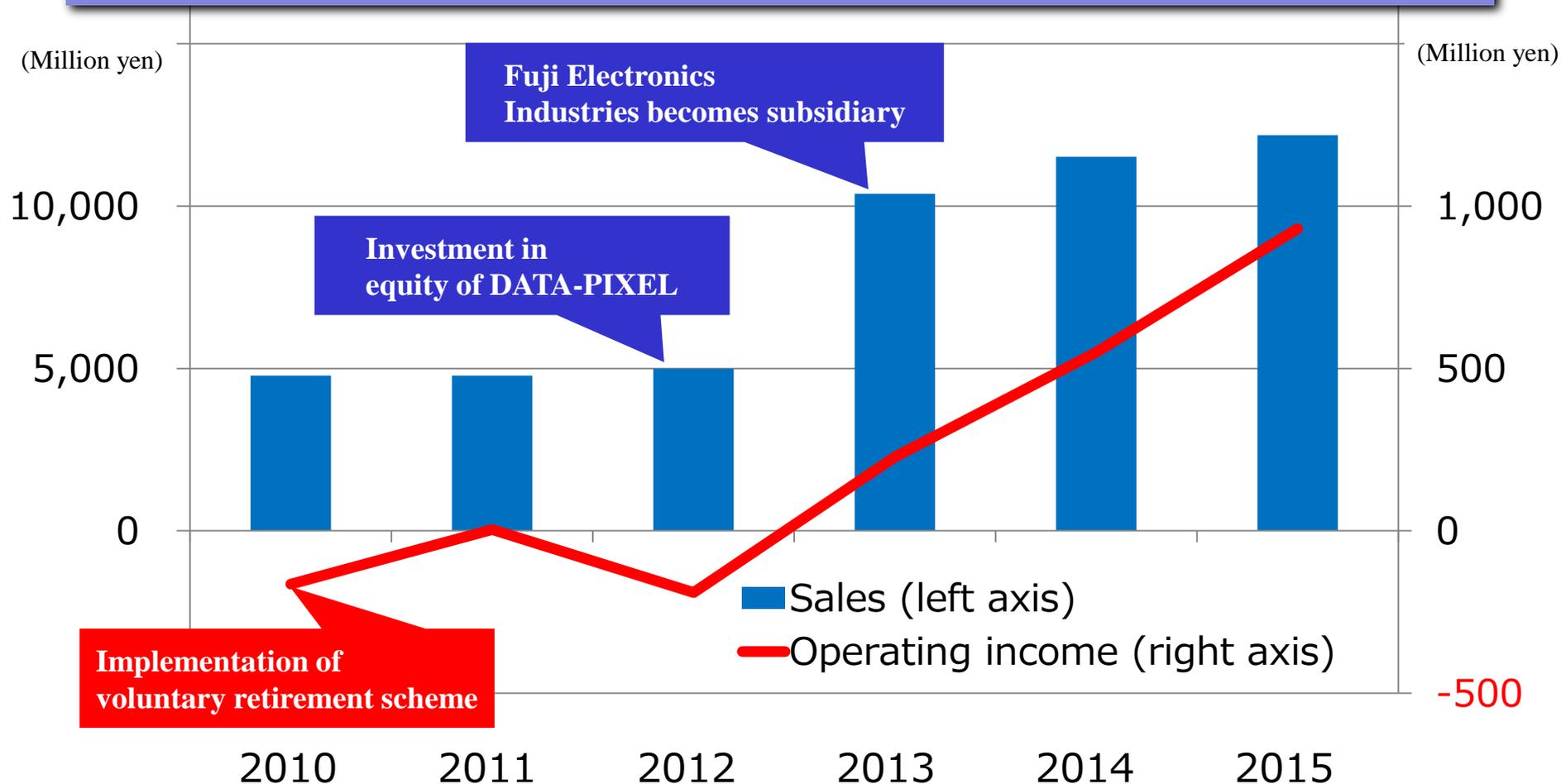
## ■ Shift in the Nikkei Stock Average and major events in Japan and abroad



# Changes at Seikoh Giken Group

- Six years of business policies and fluctuations in consolidated business results

**Two-fold-plus** increase in sales - Recovery to operating result in surplus



# Summary of the Master Plan 2010

Plan		Action	Result	
Qualitative plan	Business restructuring	<ul style="list-style-type: none"> <li>• Fixed cost reductions through implementation of voluntary retirement scheme</li> <li>• R&amp;D project selection and concentration</li> </ul>	◎	
	Business expansion	Existing businesses: Sales strategies	<ul style="list-style-type: none"> <li>• Sales of existing businesses almost unchanged</li> <li>• Expansion of product line-up through investment in equity of DATA-PIXEL</li> </ul>	×
		Development operations: Selection and concentration / Acceleration of commercialization / New-generation products	<ul style="list-style-type: none"> <li>• Integration of Fuji Electronics Industries as subsidiary in order to strengthen the molded products business</li> <li>• Increasing trade inquiries being received at the precision molded products business</li> </ul>	○
	Organization reform	Review of organization structures and human resources systems	<ul style="list-style-type: none"> <li>• Initiation of new conferences and strengthening of group-internal communication</li> <li>• Newly established incentive system for operating sites / support scheme for the acquisition of qualifications</li> <li>• Postponement of drastic human resources system reform</li> </ul>	△
Quantitative targets	Consolidated sales: 10 billion yen Consolidated operating income: 1.3 billion yen	<ul style="list-style-type: none"> <li>• FY 2015 Consolidated sales: 12.1 billion yen - Target attained</li> <li>• FY 2015 Consolidated operating income: 0.9 billion yen - Target not attained</li> </ul>	△	

~ Medium-Term Management Plan  
Master Plan 2016 ~

## Objectives of the Master Plan 2016

- Six-year medium-term plan ending in FY 2021, the 50th business year of the Company

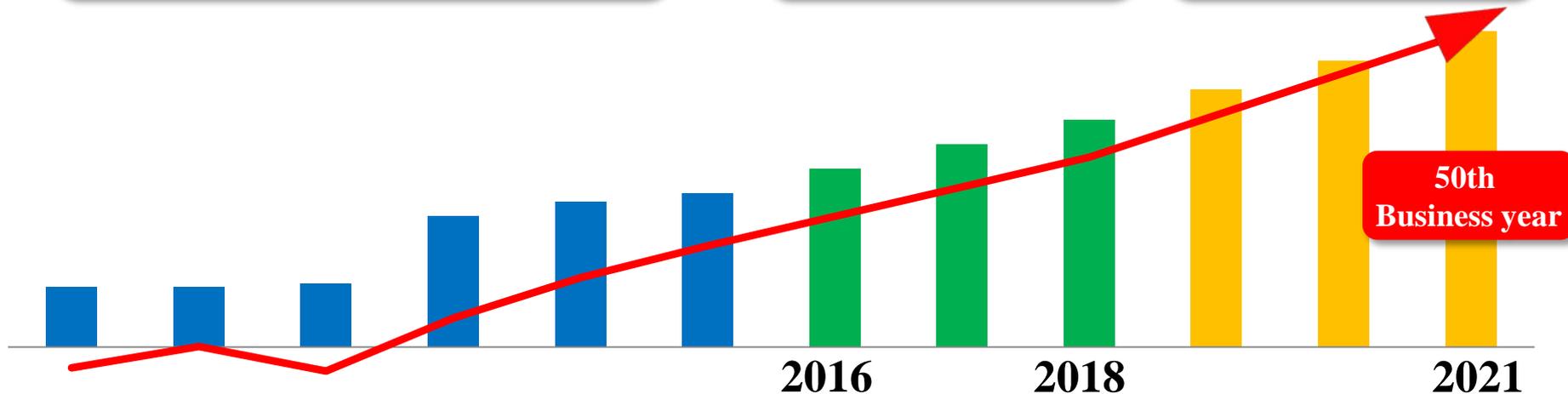
Master Plan 2010  
FY 2010 - FY 2015

Based on structural reform and M&A  
Earnings recovery

Master Plan 2016  
FY2016 - FY2021

1st phase  
2016 - 2018

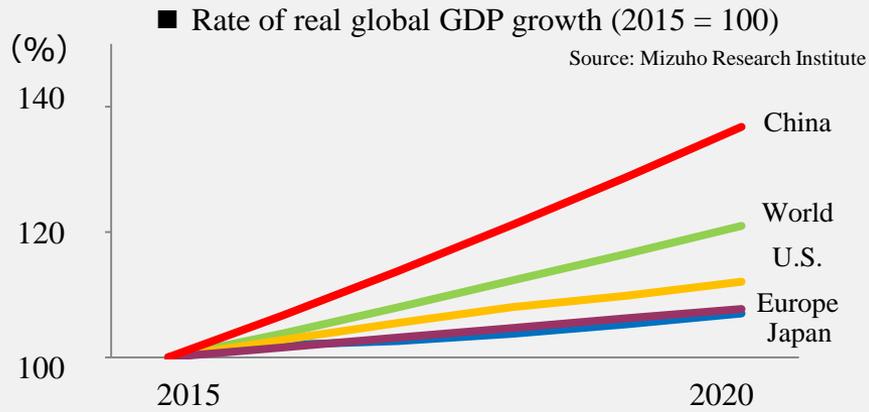
2nd phase  
2019 - 2021



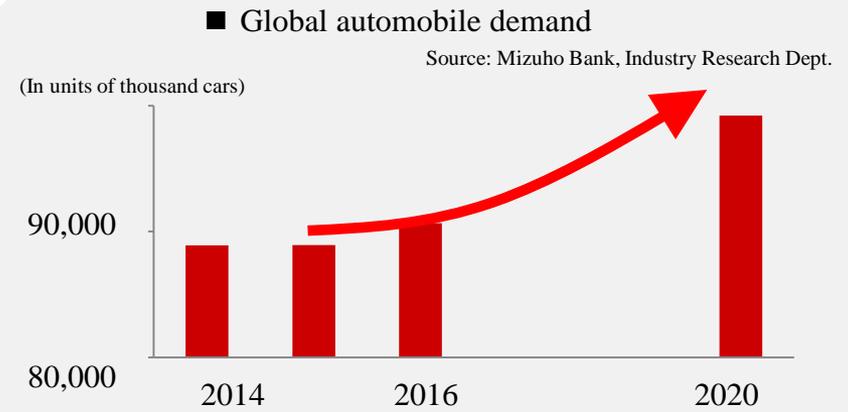
Establish a corporate vision for the Company to be attained by the end of FY 2021 as a milestone on the way to the next 50 years, divided into two periods comprised of a 1st stage and a 2nd stage, and take steps toward realization

# Environmental analysis

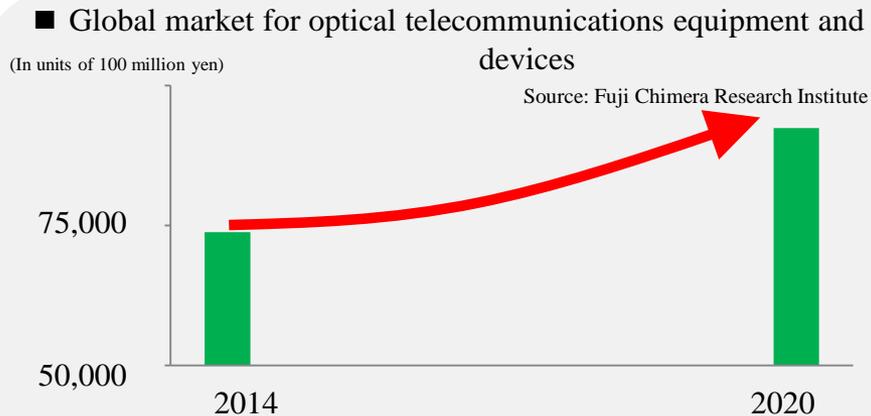
## ■ Analysis of external environments (estimates of the markets surrounding the Group)



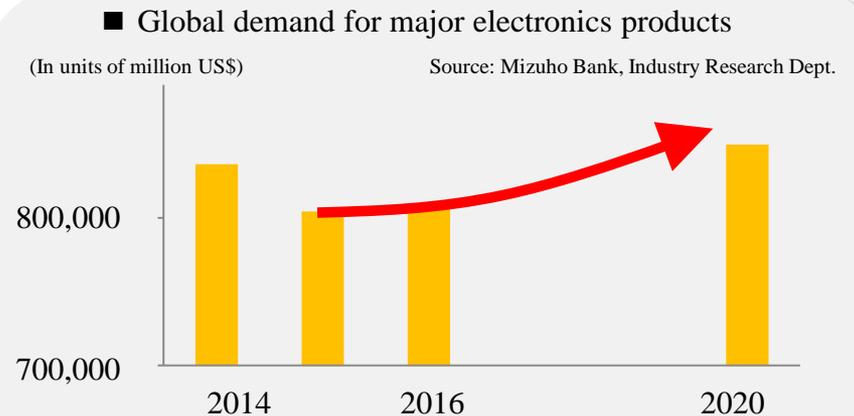
Despite slower growth, China continues to power the global economy



Domestic demand lacking growth, but foreign demand continues expanding



Large data volumes growing at an accelerating pace, market expansion continuing



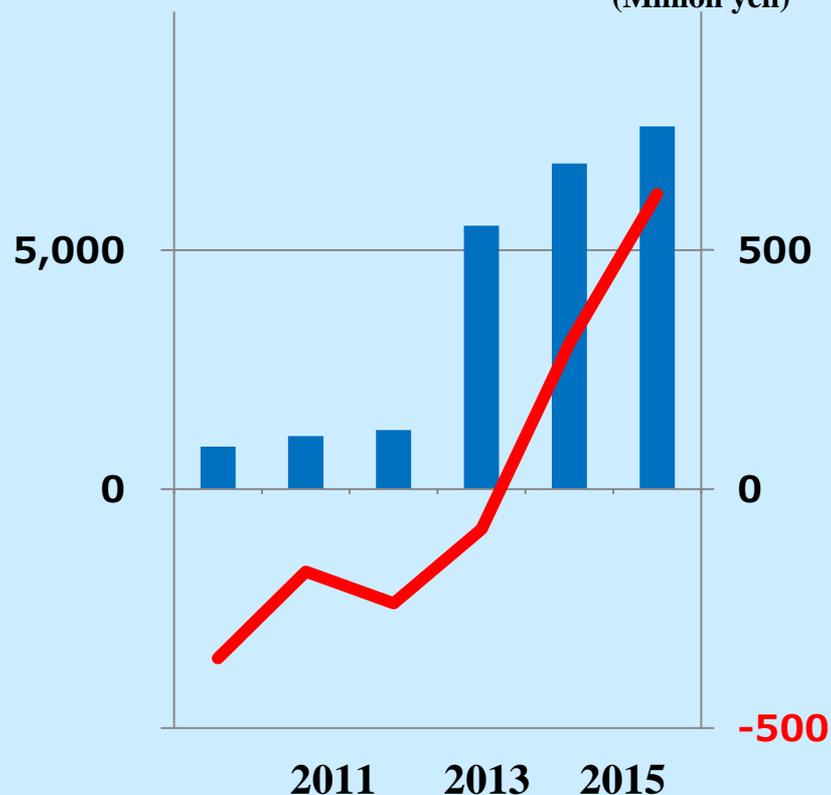
With industrialized economies maturing, emerging economies are driving demand

■ Analysis of domestic environments (FY 2010 - FY 2015 fluctuation in business results by business division)

Bar chart: Sales = Left axis  
Broken-line chart\* Operating income = Right axis

## Precision machinery

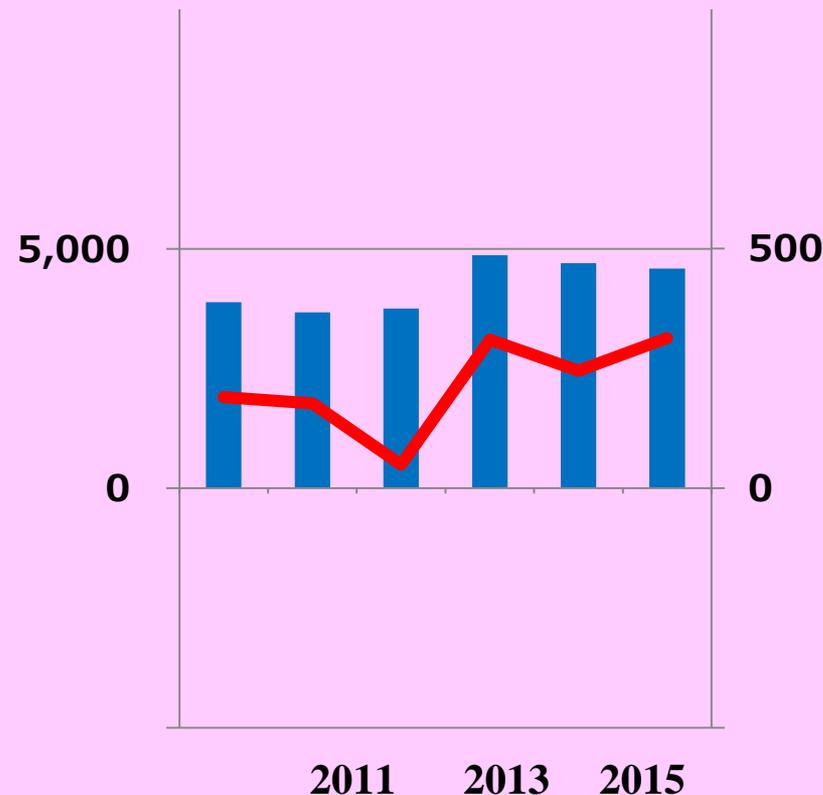
(Million yen)



Improving earnings since FY 2013

## Optical products

(Million yen)



Earnings continue unchanged

# Corporate vision of the Company

## ■ Our Vision

### - Management Principles -

Provide high-quality products based on superior technology and originality, contribute to the development of the community and society, and pursue the growth of the Company and the welfare of employees.

### - Vision -

In order to “become global customers’ best partner,” we continue relentlessly to take up new challenges.

- Our precision technology makes us customers’ most trusted partner
- We create new businesses, products, and technologies based on flexible

# Corporate vision of the Company

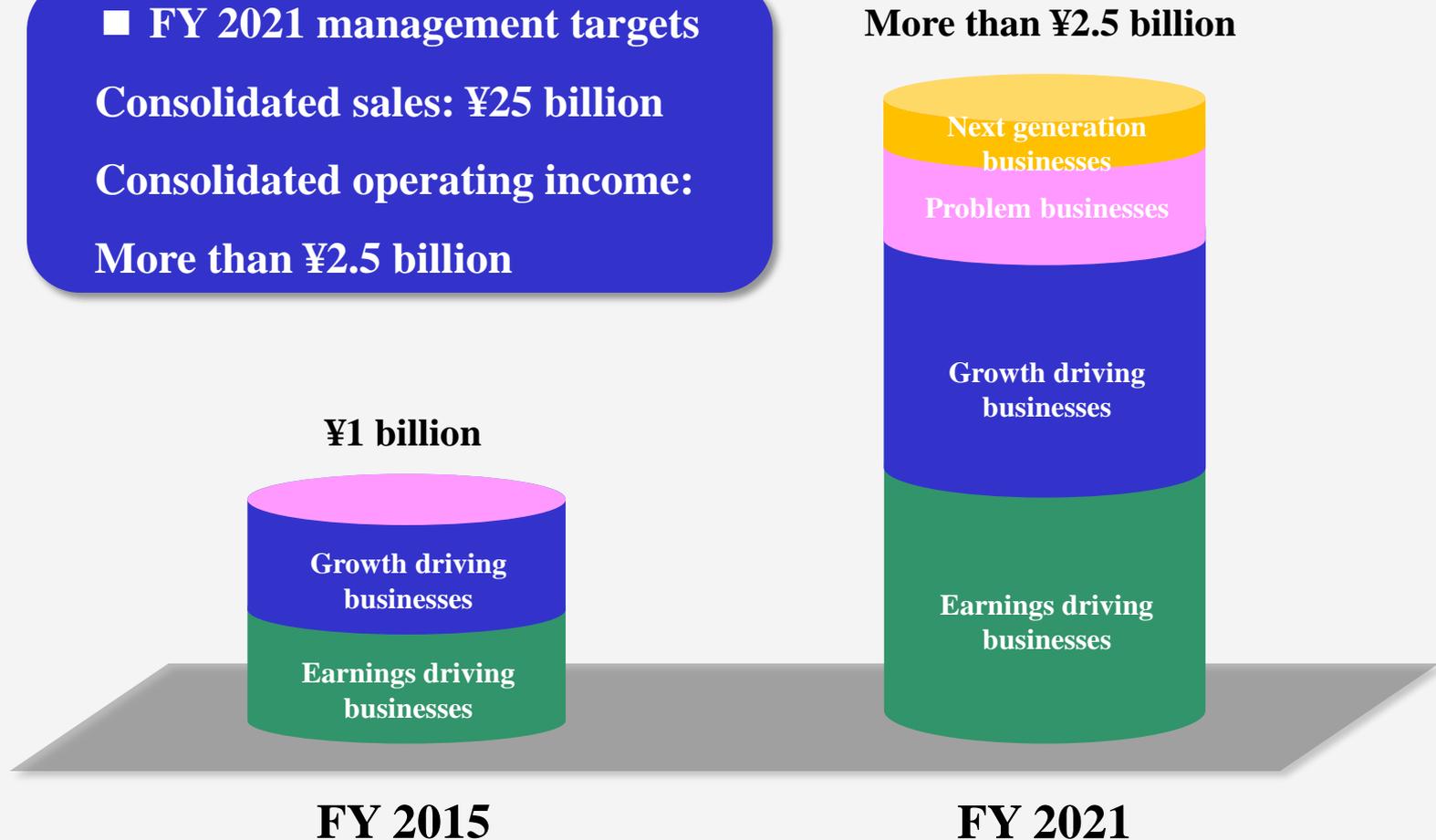
## ■ Illustration of FY 2021 quantitative targets and consolidated operating income composition

### ■ FY 2021 management targets

**Consolidated sales: ¥25 billion**

**Consolidated operating income:**

**More than ¥2.5 billion**



# Fundamental Strategies for the 1st Phase

## ■ Fundamental strategies for FY 2016 - FY 2018

### 1. Strengthen earnings of existing businesses

- Strengthen sales capabilities
- Raise price-competitive strength
- Accelerate new product development and new technology development

### 2. Optimize business portfolio

- Create next generation businesses
- Streamline loss-making businesses

### 3. Strengthen business foundations

- Strengthen human resources capabilities
- Implement growth promoting investments
- Strengthen management administration

# 1. Strengthening earnings of existing businesses

## ■ Precision Machinery Business

With precision molds and manufacturing technologies at the core, transition to high added-value business in molded products

### ■ Strengthening of marketing capabilities

- Development of new customers in automotive, healthcare, and bio-engineering fields
- Strengthening of relationships with existing customers

### ■ Strengthening of price competitiveness

- Creation of high added-value business models comprising molds, plastic molding, and post-processing
- Differentiation against competitors through internal manufacturing of automated machinery
- Flawless start-up of the Chitose factory

### ■ Acceleration of development of new products and technologies

- Further enhancement of precision mold technology, thin-wall molding technology, and micro-transfer technology
- Creation of frameworks for starting from the development stage in working together with main customers surrounding new products



# 1. Strengthening earnings of existing businesses

## ■ Optical products business

Strengthening of the shift to "multi-core" in the telecommunications field and proactive expansion of the non-telecommunications field

### ■ Strengthening of marketing capabilities

Telecommunications: Strengthening of marketing capabilities of sales offices through sales strategies aligned with markets

Non-telecommunications: International standardization of optical electric field sensors and optical fiber links  
Positioning as the de-facto standard for automotive electromagnetic field measurement equipment

### ■ Strengthening of price competitiveness

Telecommunications: Productivity gains through advances in automation and strengthening of quality control

### ■ Acceleration of development of new products and technologies

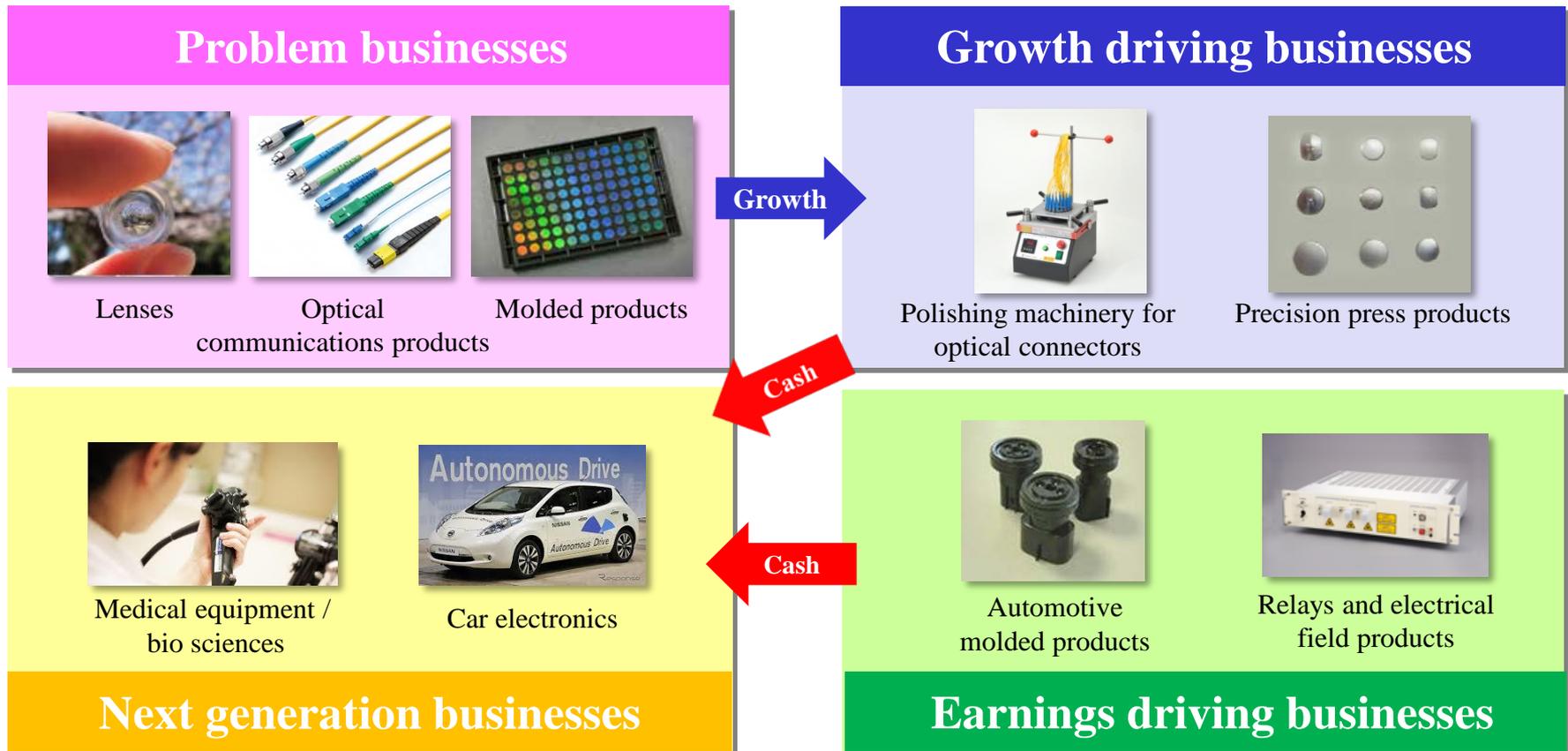
Telecommunications: Acceleration of new product development for the transition to "multi-core" applications

Non-telecommunications: Lateral expansion of optics technologies into growth markets such as healthcare



## 2. Optimization of the Business Portfolio

- Creation of next generation businesses / rationalization of loss-making businesses



- Measures for earnings generation at problem businesses and transition to growth driving businesses  
⇒ Implement rationalization of loss-making businesses with intractable earnings problems
- Create next generation businesses through allocation of cash earned by growth driving businesses and earnings driving businesses

## 3. Reinforcing the management base

### ■ Establishment of robust management base for sustained growth

#### ■ Strengthening of HR capabilities:

Create organizations where all employees can activate their capabilities to the full extent

- "3C" Action Guidelines (Challenge, Communicate, and Complete)
- Strengthening of personnel hiring and training: Response to globalization, grooming of next-generation leaders

#### ■ Investment in growth: Proactive pursuit of investment opportunities

- Cash allocation policy: Business investment based on systematic planning
  - Returning earnings to shareholders through stable dividend payments and astute share buybacks
  - Proactive strategic investment toward realizing the corporate vision of the Company
- Strategic investment until FY 2021: 10 billion yen (estimate)

#### ■ Strengthening of management structures

##### - Management structures for realizing sustained growth in enterprise value

- Change of management structures: Shift to an audit committee-based corporate governance structure, strengthening of management audit functions
- Exhaustive implementation of management control based on numerical values: Implementation of PDCA based on budget attainment control, with resulting improvements to be turned into growth
- Remuneration linked to business results: Connecting enterprise value enhancement and motivation by linking part of corporate officer remuneration to business results

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# Forecast of Consolidated Business Results for 2017/03 Term

(¥ Million)	First half	Second half	Forecast of the 2017/03 Term	Results for the 2016/03 Term
Sales Amount	6,170	6,330	12,500	12,182
Operating Profit	480	350	830	930
Ordinary Profit	510	380	890	967
Net profit	300	170	470	550
Equipment Investment			1,252	1,541
Depreciation Expenses			1,228	961
R & D Expenses			389	350

## Forecast of Consolidated Business Results (by Segment) for 2017/03 Term

(¥ Million)	First half	Second half	Forecast of the 2017/03 Term	Results for the 2016/03 Term
<b>The Relation of Precision Machinery</b>				
Sales Amount	3,750	3,800	7,550	7,594
Operating Expenses	3,370	3,550	6,920	6,977
Operating Profit	380	250	630	617
<b>The Relation of Optical Communications</b>				
Sales Amount	2,420	2,530	4,950	4,587
Operating Expenses	2,320	2,430	4,750	4,274
Operating Profit	100	100	200	313

