

Financial Statements

Briefing Session for 2018/03 Term

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



May 15, 2018

- I. Overview of Consolidated Financial Results for 2018/03 Term
- II. Business Outlook
- III. Forecast of Consolidated Financial Results for 2019/03 Term

I. Overview of Consolidated Financial Results for 2018/03 Term

II. Business Outlook

III. Forecast of Consolidated Financial Results for 2019/03 Term

Consolidated Financial Statements for 2018/03 Term Highlights (Part1)

| (¥ Million) | 2018/03 Term | 2017/03 Term | Year-on-year percentage Change | Estimated value of business results (May 12, 2017) |
|--|--------------|--------------|--------------------------------------|--|
| Sales Amount | 13,547 | 12,644 | 7.1% | 13,100 |
| Precision Machinery | 7,686 | 7,481 | 2.7% | 7,450 |
| Fiber Optic Components & Instrumental | 5,860 | 5,162 | 13.5% | 5,650 |
| Operating Profit | 930 | 1,065 | (12.7%) | 940 |
| Ordinary Profit | 1,053 | 1,164 | (9.5%) | 1,050 |
| Net Profit | 914 | 800 | (14.2%) | 920 |

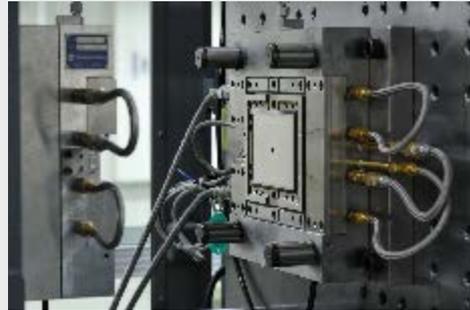
Consolidated Financial Statements for 2018/03 Term Highlights (Part2)

| (¥ Million) | 2018/03 Term | 2017/03 Term | Year-on-year percentage change |
|-----------------------|--------------|--------------|--------------------------------|
| Orders Received | 13,663 | 12,875 | 6.1% |
| Orders Backlog | 1,759 | 1,643 | 7.1% |
| Equipment Investment | 1,171 | 957 | 22.4% |
| Depreciation Expenses | 1,238 | 1,158 | 6.9% |
| R & D Expenses | 429 | 374 | 14.7% |

Main products and technologies of the Precision Machinery Division

◆ Molds

Molds for data-archive discs
Other precision molds



◆ Molded products

Automotive insert molded parts
Metal pressed molded parts
Resin injection molded parts, etc.



◆ Other

Precision processed metal parts, etc.



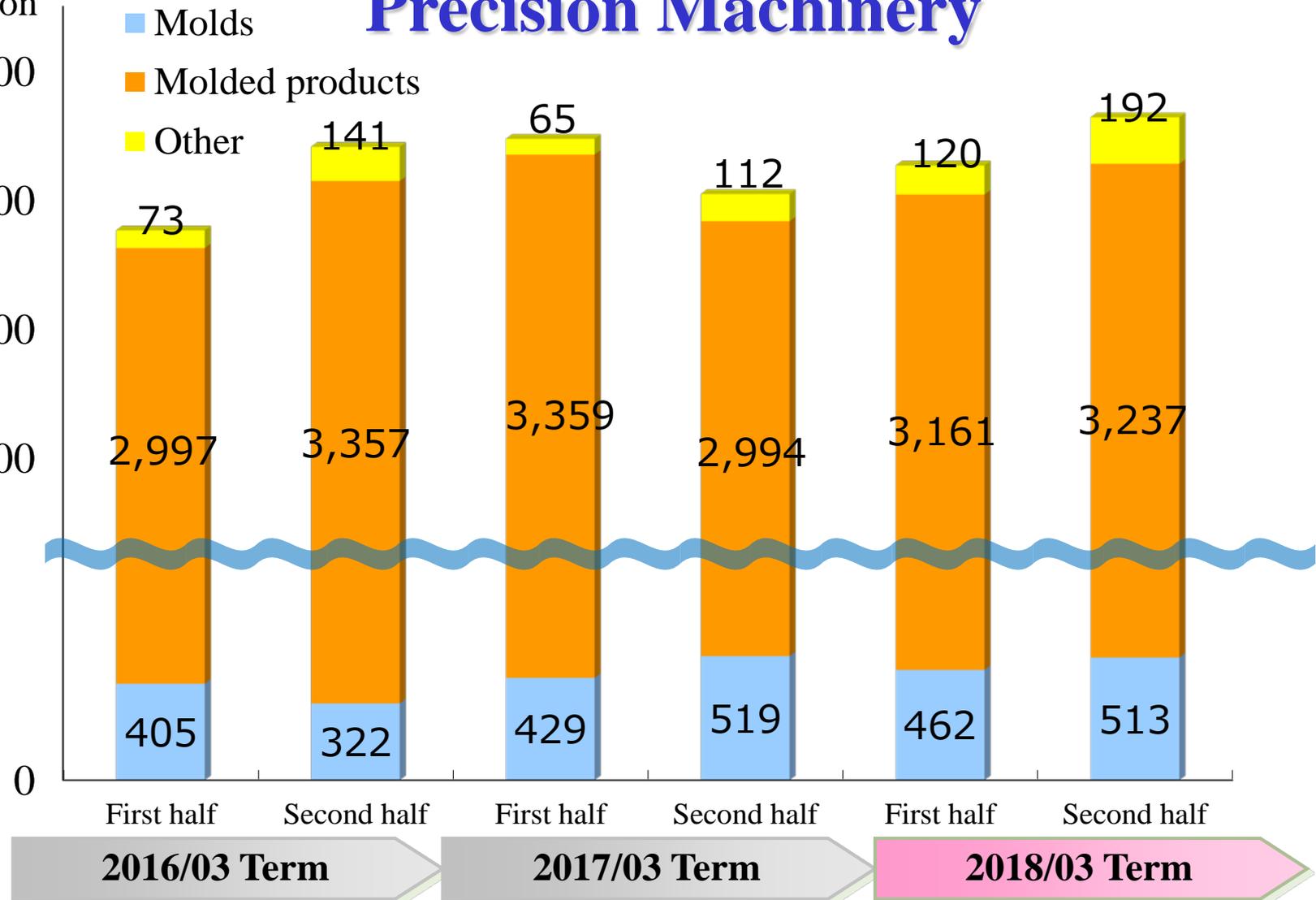
Business Results by Segment/ Precision Machinery

| (¥ Million) | 2018/03 Term | 2017/03 Term | Year-on-year percentage change |
|------------------------|--------------|--------------|--------------------------------|
| Sales Amount | 7,686 | 7,481 | 2.7% |
| Operating Expenses | 7,193 | 6,923 | 3.9% |
| Operating Profit | 493 | 558 | (11.6%) |
| Operating Profit Ratio | 6.4% | 7.5% | — |

Sales Amounts by Product / Precision Machinery

¥ Million

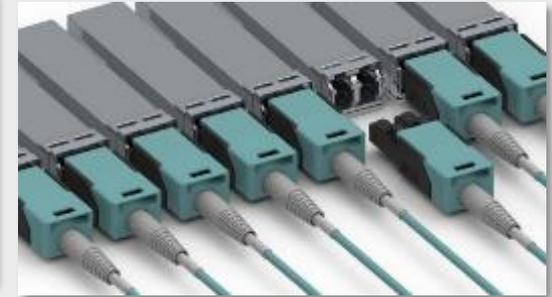
- Molds
- Molded products
- Other



Main products and technologies of the Optical Products Division

◆ Optical communication network components

Optical connectors
Ferrules, etc.

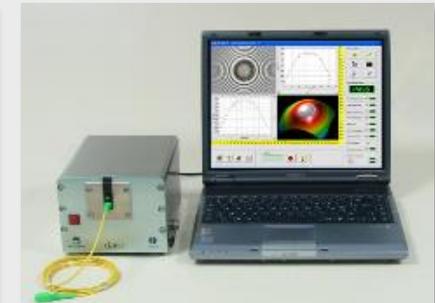


◆ Manufacturing machinery and equipment

Optical connector polishing machines

Inspection equipment for optical connector end faces

Optical electric field sensors, etc.



◆ Other

Micro lenses, etc.

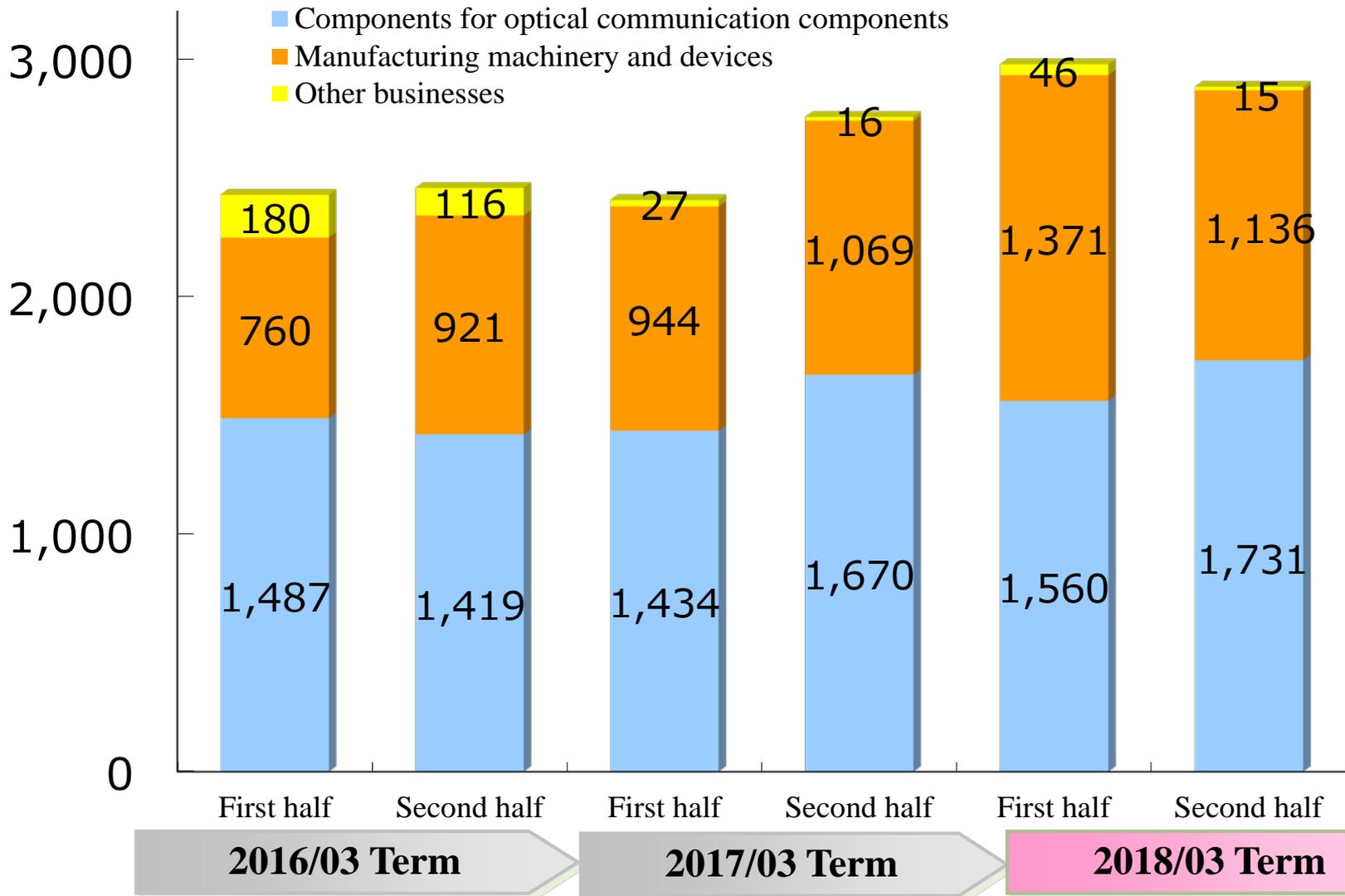


Business Results by Segment/ Fiber Optic Components & Instrumental

| (¥ Million) | 2018/03 Term | 2017/03 Term | Year-on-year percentage change |
|------------------------|--------------|--------------|--------------------------------|
| Sales Amount | 5,860 | 5,162 | 13.5% |
| Operating Expenses | 5,424 | 4,656 | 16.5% |
| Operating Profit | 436 | 506 | (13.8%) |
| Operating Profit Ratio | 7.4% | 9.8% | — |

Sales Amounts by Product / Fiber Optic Components & Instrumental

¥ Million



Consolidated Balance Sheet

| (¥ Million) [Assets] | 2018/03 Term | 2017/03 Term | Amount (Increase/Decrease) |
|--|---------------|---------------|-------------------------------|
| Current Assets | 16,043 | 14,954 | 1,089 |
| Fixed Assets | 10,313 | 10,071 | 241 |
| Total Assets | 26,357 | 25,026 | 1,330 |
| [Liabilities and Net Assets] | | | |
| Current Liabilities | 2,688 | 2,425 | 262 |
| Fixed Liabilities | 1,183 | 1,033 | 150 |
| Net Assets | 22,484 | 21,567 | 917 |
| Total Liabilities/ Net Assets | 26,357 | 25,026 | 1,330 |

Consolidated Cash Flow Statement

| (¥ Million) | 2018/03 Term | 2017/03 Term |
|----------------------------------|--------------|--------------|
| CF - Operating | 2,086 | 1,817 |
| CF - Investing | (2,706) | (393) |
| CF- Financing | (185) | (123) |
| Increase in Cash | (761) | 1,238 |
| Balance at the beginning of term | 4,066 | 2,828 |
| Balance at the end of term | 3,305 | 4,066 |

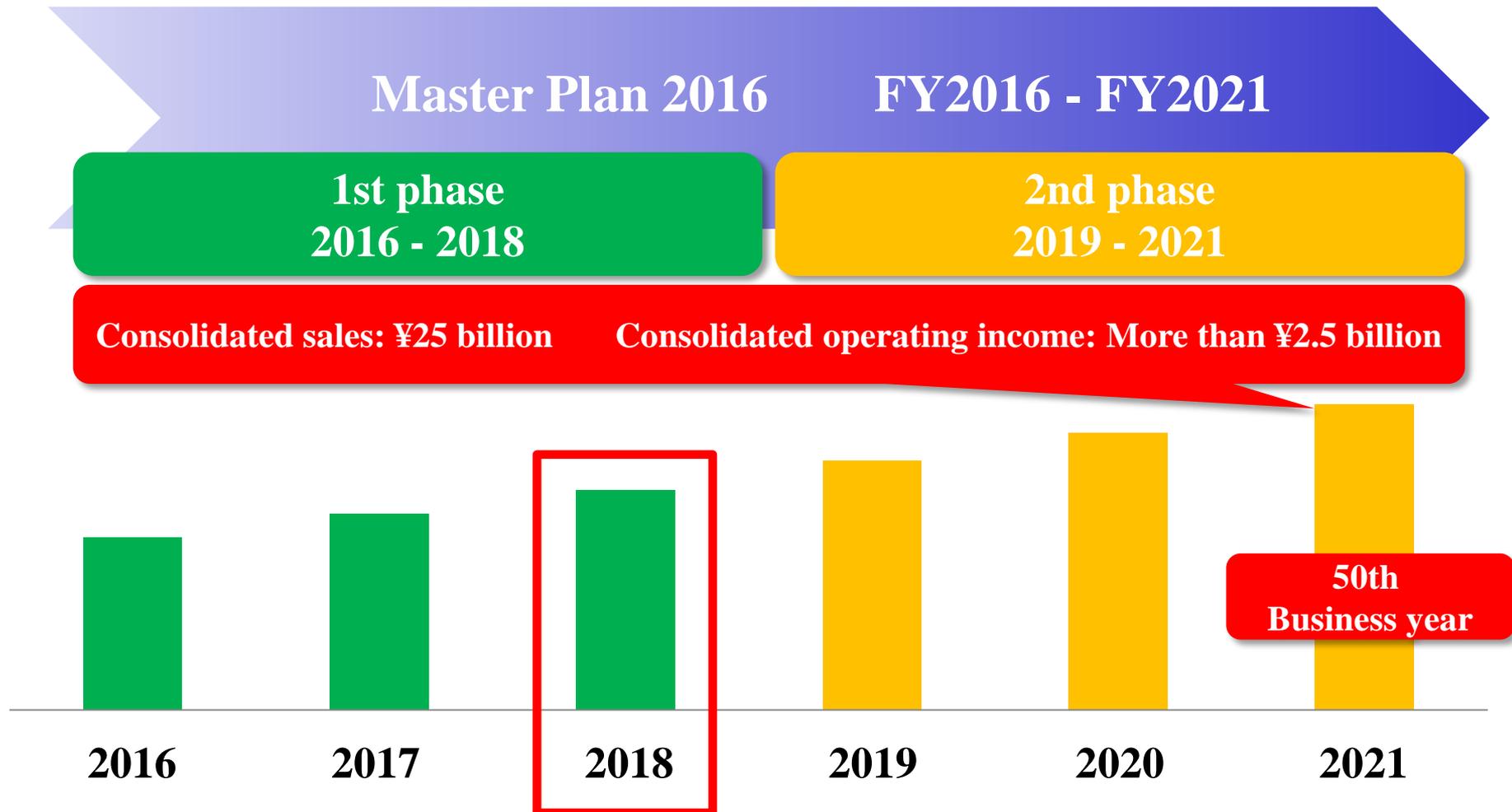
I. Overview of Consolidated Financial Results for
2018/03 Term

II. Business Outlook

III. Forecast of Consolidated Financial Results for
2019/03 Term

Medium-Term Management Plan Master Plan 2016

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



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

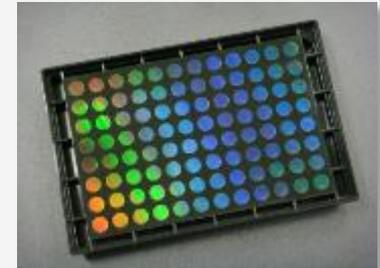
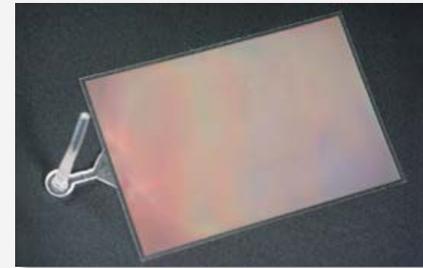
■ Precision Machinery Business

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

■ Strengthen sales capabilities

• Raise price-competitive strength

- Accelerate volume production at the Chitose plant
- Strengthen relationships with major existing customers
- Boost molds for data-archive discs
- Acquire repeat business
- Develop high-quality overseas outsourcing



■ Accelerate new product development and new technology development

- Prepare new business in molded products for trading at an early stage
⇒ Automotive, medical, and bio science applications
- Enhance precision mold technology, thin-wall molding technology, and micro-transfer technology

1. Strengthening earnings of existing businesses

■ Optical products business

Take steps to expand market shares in the growing markets surrounding data centers and 5G technology

■ Strengthen sales capabilities

• Raise price-competitive strength

- Increase sales of connectors for data centers
- Increase sales of multi-core compatible new optical connector types and new models of optical connector polishing machines
- Enhance productivity by shifting components to in-house manufacture and promote production automation

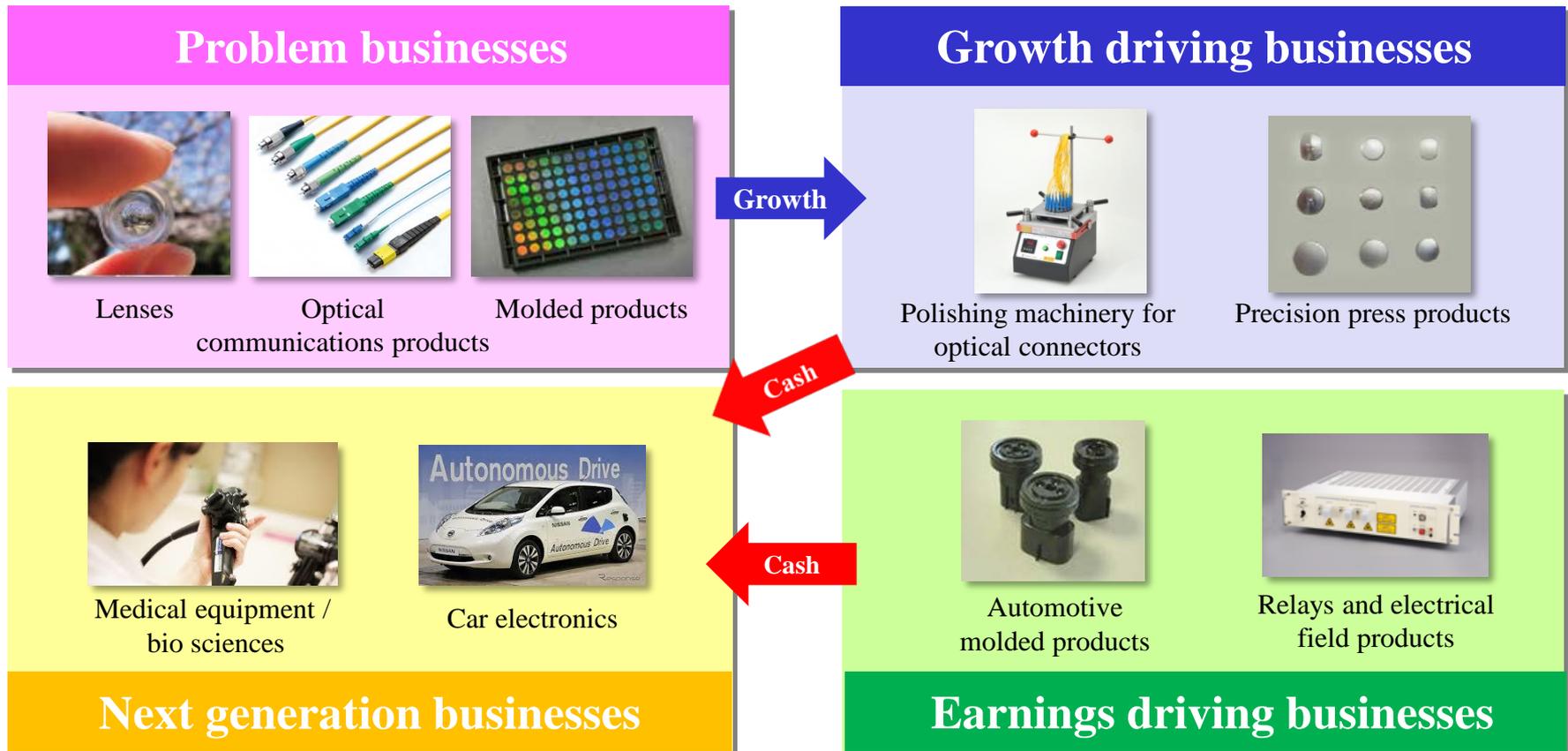
■ Accelerate new product development and new technology development

- Accelerate development of optical connectors suited for 100G / 400G large-volume, high-speed data transmission
- Develop optical electric field sensors suited for 5th generation mobile communications system (5G) application
- Shift to volume production of micro lenses for 3D sensors



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

- Promote work mode reform by shortening working hours and raising business efficiency
- Interlink corporate value enhancement and employee motivation through incentives tied in with business performance

■ Investment in growth: Proactive pursuit of investment opportunities

- Strategic investment until FY 2021: 10 billion yen (estimate)
- Make proactive efforts to identify opportunities for M&A and alliances

■ Strengthening of management structures

- Management structures for realizing sustained growth in enterprise value

- Acceleration of synergy creation by strengthening group-internal cooperation
- Accelerate on-site decision-making by introducing executive officer system

I. Overview of Consolidated Financial Results for
2018/03 Term

II. Business Outlook

**III. Forecast of Consolidated Financial Results for
2019/03 Term**

Forecast of Consolidated Business Results for 2019/03 Term

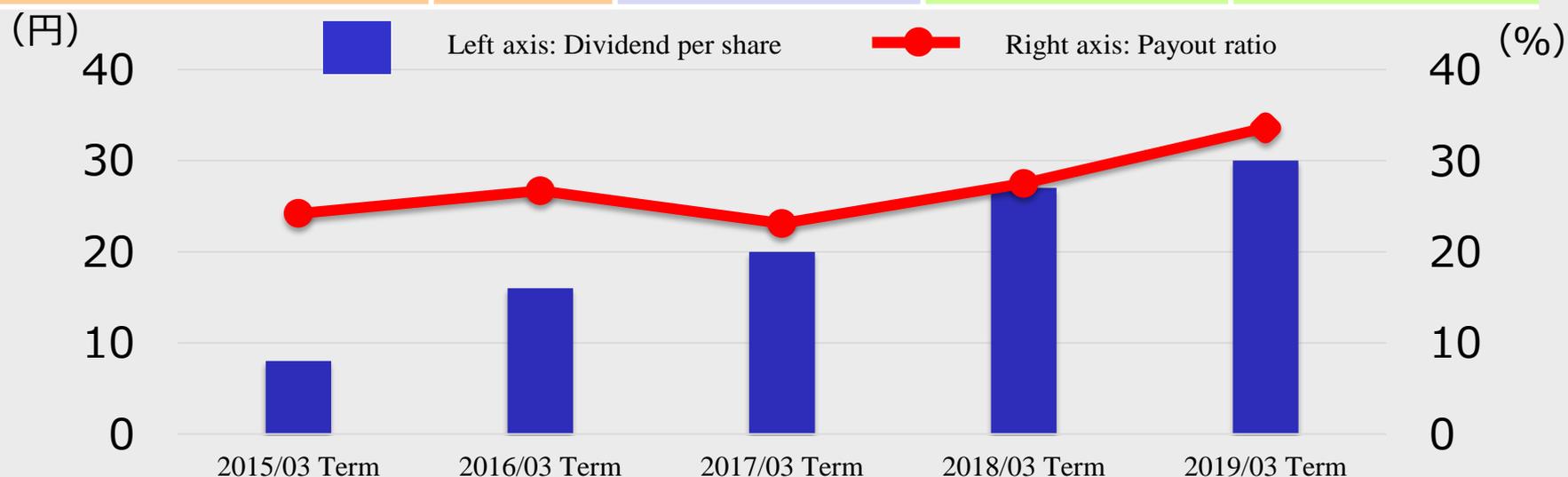
| (¥ Million) | First half | Second half | Forecast of the 2019/03 Term | Results for the 2018/03 Term |
|-----------------------|------------|-------------|------------------------------|------------------------------|
| Sales Amount | 7,000 | 7,500 | 14,500 | 13,547 |
| Operating Profit | 550 | 600 | 1,150 | 930 |
| Ordinary Profit | 580 | 620 | 1,200 | 1,053 |
| Net profit | 400 | 430 | 830 | 907 |
| Equipment Investment | | | 1,655 | 1,171 |
| Depreciation Expenses | | | 1,354 | 1,238 |
| R & D Expenses | | | 460 | 429 |

Forecast of Consolidated Business Results (by Segment) for 2019/03 Term

| (¥ Million) | First half | Second half | Forecast of the 2019/03 Term | Results for the 2018/03 Term |
|---|------------|-------------|------------------------------------|------------------------------------|
| The Relation of Precision Machinery | | | | |
| Sales Amount | 3,900 | 4,100 | 8,000 | 7,686 |
| Operating Expenses | 3,590 | 3,820 | 7,410 | 7,193 |
| Operating Profit | 310 | 280 | 590 | 493 |
| The Relation of Optical Communications | | | | |
| Sales Amount | 3,100 | 3,400 | 6,500 | 5,860 |
| Operating Expenses | 2,860 | 3,080 | 5,940 | 5,424 |
| Operating Profit | 240 | 320 | 560 | 436 |

Concerning shareholder returns

| | | Forecast of the 2019/03 Term | Results for the 2018/03 Term | Results for the 2017/03 Term |
|--------------------|-------------|------------------------------|------------------------------|------------------------------|
| Net income | million yen | 830 | 914 | 800 |
| Dividend per share | yen | 30 | 27 | 20 |
| Payout ratio | % | 33.6 | 27.5 | 23.1 |





SEIKOH GIKEN