



Summary of Financial Statements for the Second Quarter of the Fiscal Year 2024 [Japan GAAP]

November 10, 2023

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 10, 2023
 Date of dividend payment -

(All amounts rounded down to the nearest million yen)

1. Consolidated business results for the second quarter of fiscal 2024 (April 1, 2023 to September 30, 2023)

(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, 2023	7,864	(8.4)	322	(54.5)	473	(45.5)	301	(53.6)
Six months ended September 30, 2022	8,581	12.9	708	9.9	869	31.4	649	52.1

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Six months ended September 30, 2023	33.08	—
Six months ended September 30, 2022	71.23	—

(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, 2023	31,272	26,711	85.3	2,924.97
Fiscal year ended March 31, 2023	31,342	26,475	84.4	2,898.91

(Reference) Shareholders' equity Six months ended September 30, 2023 26,684 million yen Fiscal year ended March 31, 2023 26,447 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	Yen	Yen
Fiscal year ended March 31, 2023	—	0.00	—	50.00	50.00
Fiscal year ending March 31, 2024	—	0.00	—	50.00	50.00
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	55.00	55.00

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, 2024 (April 1, 2023 to March 31, 2024)

(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	16,350	0.4	680	(51.1)	850	(47.1)	470	(56.6)	51.52

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 speed toward recovery. In the US, while consumer spending was strong, corporate capital investment stagnated due to financing concerns driven by monetary tightening. In Europe, despite a slight recovery in consumer spending with a rise in real wage growth, economic activity remained sluggish as high inflation and interest continued. In China, the real estate market continued to deteriorate. Despite the Chinese government's efforts to stimulate domestic demand by lowering policy interest rates, consumer spending and corporate capital investment were slow. In Japan, increased inbound demand boosted business activity in the non-manufacturing industry. Despite an improving earnings environment in the manufacturing industry, especially for automobiles, slowing economies overseas and rising prices, together with the rapidly weakening yen, mean that the future remains uncertain.

In the information and communication markets and electronics related-markets relevant to the Group, despite the elimination of semiconductor supply shortages, demand for computers and smartphones was lackluster due to sharp price rises. Against this background, commercial use of generative AI such as ChatGPT gradually began. Many corporations have started to examine ways of using generative AI effectively so that it can be harnessed to improve the efficiency of routine tasks and support the creation of new products. In the automotive-related market, the shift to electric vehicles is accelerating. As a global forerunner in the popularization of electric vehicles, China is drawing attention with the market entry of inexpensive electric vehicles.

In these circumstances, the Group has worked to implement the measures mandated under the current "Master Plan 2022" medium-term management plan, 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 and the Optical Products Business focused on creating numerous opportunities to encounter new customers through our website and by exhibiting at trade shows in Japan and overseas, 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.

To improve manufacturing capabilities, we have endeavored to strengthen relationships with our business partners to allow stable purchasing activity on an ongoing basis amidst the continued trend in electricity and materials cost increases. We have also developed automated manufacturing equipment in-house for some of our manufacturing processes to increase production efficiency.

To reinforce the management base, we engaged in activities to reduce greenhouse gas emissions. These were driven by the Sustainability Promotion Office, which was established in the previous fiscal year. Seikoh Giken Co., Ltd and domestic subsidiaries proceeded with preparations for the commencement of the Japanese Invoice System and the Electronic Books Maintenance Act, while also working to enhance operational efficiency and construct systems for business continuity in the event of an emergency through such measures as transitioning to paperless operations and moving to the cloud.

As a result of these measures, net sales for the period under review posted 7,864,504 thousand yen (down 8.4% compared with the year-earlier period). In terms of profit and loss, the cost of sales ratio increased with a decline in sales of high-added value products and the inability to absorb fixed costs due decreased net sales. Despite efforts to reduce selling, general and administrative expenses, operating income was 322,824 thousand yen (down 54.5% compared with the year-earlier period). Ordinary income after recognition of non-operating income such as foreign exchange gains and rental income from investment property was 473,740 thousand yen (down 45.5%), while net income attributable to shareholders of the parent company was 301,800 thousand yen (down 53.6%).

Segment performances developed as follows.

(1) Precision Machinery Business

The Precision Machinery Business provides customers with precision molded products for vehicles and electronic equipment, and high-quality molds for efficient mass production of molded products, and metal parts that require high dimensional accuracy. In the period under review, net sales for insert-molded products for various vehicle sensors recovered as vehicle production volumes picked up. On the other hand, net sales for metal pressed molded products for electronic devices remained slow with smartphones continuing to see weak demand. Sales of molds for the mass production of automotive molded products increased, as we set the stage for increased production in the future.

As a result, net sales for the period under review at the Precision Machinery Business posted 4,304,211 thousand yen (up 4.2% compared with the year-earlier period). Along with the net sales increase, operating income was 209,108 thousand yen (up 3.5%).

(2) Optical Products Business

The Optical Products Business provides customers with products such as optical communications parts, as well as equipment and devices used in their manufacturing and inspection processes, and optical electric field sensors, optical transmission equipment, and micro resin lenses. While the optical communication-related market continued to expand in line with increases in remote work and web meetings, growth has slowed since the second half of the previous fiscal year with the waning of COVID-19. New investment in optical communications infrastructure has therefore stagnated, leading to sluggish demand for related parts. Net sales also declined for manufacturing equipment and measuring devices for optical communications parts, which saw favorable performance in the year-earlier period.

As a result, net sales for the period under review at the Optical Products Business posted 3,560,292 thousand yen (down 20.0% compared with the year-earlier period). Along with the net sales decrease, operating income was 113,715 thousand yen (down 77.6%).

(2) Financial status information

Consolidated assets at the end of the period under review totaled 31,272,760 thousand yen, reflecting a decrease of 70,089 thousand yen compared with the end of the previous fiscal year. Current assets marked 21,522,317 thousand yen, a decrease of 236,338 thousand yen compared with the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits and merchandise and finished goods. Non-current assets marked 9,750,443 thousand yen, an increase of 166,249 thousand yen compared with the end of the previous fiscal year. The main factor was an increase in investment securities due to investment by consolidated subsidiary Fuji Electronics Industries Co., Ltd. in RADIANT POLYMERS Pvt. Ltd., an automotive parts manufacturer in India.

Consolidated liabilities at the end of the period under review totaled 4,561,571 thousand yen, reflecting a decrease of 305,559 thousand yen compared with the end of the previous fiscal year. Main factor was a decrease in accounts payable - trade.

Consolidated net assets at the end of the period under review totaled 26,711,189 thousand yen, reflecting an increase of 235,469 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

The consolidated business results projections for the fiscal year ending March 31, 2024, announced on August 10, 2023, have been revised. Details are stated in the "Notice Concerning Differences Between the Projections and Actual Results for the Consolidated First Half and Revisions to the Full-Year Consolidated Results Projections" released today.

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, 2023)	At the end of the current Second quarter (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	13,445,178	12,592,126
Notes and accounts receivable-trade	3,659,678	4,370,158
Electronically recorded monetary claims - operating	580,006	604,994
Merchandise and finished goods	890,247	781,969
Work in process	1,447,017	1,430,072
Raw materials and supplies	1,387,173	1,352,587
Income taxes receivable	18,678	90,793
Other	333,003	302,173
Allowance for doubtful accounts	(2,326)	(2,558)
Total current assets	21,758,656	21,522,317
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	7,545,201	7,687,210
Accumulated depreciation	(4,798,833)	(4,938,170)
Buildings and structures, net	2,746,367	2,749,040
Machinery, equipment and vehicles	7,352,398	7,508,430
Accumulated depreciation	(5,589,430)	(5,790,963)
Machinery, equipment and vehicles, net	1,762,967	1,717,467
Land	2,670,031	2,670,343
Construction in progress	130,477	64,067
Other	4,124,068	4,274,011
Accumulated depreciation	(3,282,395)	(3,431,848)
Other, net	841,672	842,162
Total property, plant and equipment	8,151,517	8,043,081
Intangible assets		
Goodwill	163,870	101,639
Customer related assets	11,204	-
Other	29,854	23,189
Total intangible assets	204,930	124,828
Investments and other assets		
Investment securities	76,191	350,631
Real estate for investment, net	873,209	872,198
Other	278,344	359,703
Total investments and other assets	1,227,746	1,582,533
Total noncurrent assets	9,584,194	9,750,443
Total assets	31,342,850	31,272,760

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2023)	At the end of the current Second quarter (As of September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	1,663,291	1,359,496
Income taxes payable	220,107	164,445
Reserve for bonuses	105,254	110,146
Other	1,322,628	1,357,076
Total current liabilities	3,311,281	2,991,164
Noncurrent liabilities		
Retirement benefit liabilities	1,020,474	1,037,159
Provision for stock awards for corporate officers	163,937	188,588
Long-term accounts payable-other	144,870	144,870
Long-term lease deposited	19,037	19,037
Deferred tax liability	51,438	18,417
Other	156,091	162,335
Total noncurrent liabilities	1,555,848	1,570,406
Total liabilities	4,867,130	4,561,571
Net assets		
Shareholders' equity		
Capital stock	6,791,682	6,791,682
Capital surplus	10,607,500	10,607,500
Retained earnings	8,482,991	8,322,795
Treasury stock	(538,872)	(538,872)
Total Shareholders' equity	25,343,302	25,183,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,396	19,354
Foreign currency translation adjustment	1,114,378	1,501,200
Cumulative adjustment of retirement benefits	(25,865)	(18,761)
Total accumulated other comprehensive income	1,103,910	1,501,793
Subscription rights to shares	28,507	26,289
Total net assets	26,475,719	26,711,189
Total liabilities and net assets	31,342,850	31,272,760

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

(Unit: Thousands of yen)

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Sales amount	8,581,611	7,864,504
Cost of sales	5,839,814	5,719,504
Gross profit	2,741,797	2,144,999
Selling, general and administrative expenses	2,033,009	1,822,175
Operating income	708,787	322,824
Non-operating income		
Interest income	3,139	14,351
Dividends income	654	717
Income from subsidiaries	2,792	7,214
Subsidy income	359	700
Rent of real estate for investment	34,693	33,610
Equity in earnings of affiliates	441	140
Gains on foreign exchange	128,742	88,209
Other	10,428	14,637
Total non-operating income	181,252	159,580
Non-operating expenses		
Cost of real estate rent	7,789	7,208
Compensation expenses	8,909	-
Other	3,928	1,455
Total non-operating expenses	20,626	8,664
Ordinary income	869,413	473,740
Extraordinary income		
Gain on sales of noncurrent assets	1,854	1,899
Gain on sale of investment securities	-	1,747
Gain on reversal of share acquisition rights	55,865	-
Total extraordinary income	57,719	3,646
Extraordinary loss		
Loss on disposition of non-current assets	916	34
Total extraordinary losses	916	34
Net income for the period before income taxes	926,215	477,352
Income taxes-current	273,320	186,547
Income taxes-deferred	(746)	(11,667)
Total income taxes	272,574	174,880
Net income	653,641	302,472
Net income for the quarter attributable to non-controlling shareholders	3,841	672
Net income for the period attributable to shareholders of the parent company	649,800	301,800

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

(Unit: Thousands of yen)

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Net income for the quarter	653,641	302,472
Other comprehensive income		
Net unrealized holding gains on securities	(4,302)	3,958
Foreign currency translation adjustments	698,288	386,822
Cumulative adjustment of retirement benefits	6,083	7,103
Total other comprehensive income	700,070	397,883
Comprehensive income	1,353,712	700,356
(Items)		
Comprehensive income attributable to owners of the parent	1,348,013	697,035
Comprehensive income for the quarter attributable to non-controlling shareholders	5,698	3,321