



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>
 Representative (Title) President & CEO (Name) Masatoshi Ueno
 Inquiries (Title) Executive Officer & Department Manager (Name) Yuji Saitoh Tel. +81-047-388-6401
 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		
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 at the end of the previous year (As of March 31, 2020)	At the end of the current Second quarter (As of September 30, 2020)
Assets		
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)
Total current assets	17,339,230	17,224,019
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
Total property, plant and equipment	7,995,952	7,975,703
Intangible assets		
Goodwill	1,061,590	906,441
Customer related assets	212,891	179,276
Other	79,082	69,997
Total intangible assets	1,353,564	1,155,716
Investments and other assets		
Investment securities	45,634	51,445
Real estate for investment, net	884,557	854,093
Other	125,815	135,329
Total investments and other assets	1,056,007	1,040,868
Total noncurrent assets	10,405,523	10,172,288
Total assets	27,744,754	27,396,307

(Unit: Thousands of yen)

	Summary of consolidated balance sheet at the end of the previous year (As of March 31, 2020)	At the end of the current Second quarter (As of September 30, 2020)
Liabilities		
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
Net assets		
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 (from April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (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 (from April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (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