

Financial Statements Briefing Session for 2020/03 Term

(From April 1, 2019 to March 31, 2020)



May 18, 2020

- I . Overview of Consolidated Financial Results for 2020/03 Term
- II . Business Outlook
- III . Forecast of Consolidated Financial Results for 2021/03 Term

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Consolidated Financial Statements for 2020/03 Term Highlights (Part1)

(¥ Million)	2020/03 Term	2019/03 Term	Year-on-year percentage Change	Estimated value of business results (November 10, 2019)
Sales Amount	15,729	15,502	+1.5%	17,200
Precision Machinery	8,808	8,729	+0.9%	9,480
Fiber Optic Components & Instrumental	6,921	6,773	+2.2%	7,720
Operating Profit	1,614	1,619	-0.3%	1,800
Ordinary Profit	1,688	1,754	-3.8%	1,850
Net Profit	1,152	1,232	-6.5%	1,250

Consolidated Financial Statements for 2020/03 Term Highlights (Part2)

(¥ Million)	2020/03 Term	2019/03 Term	Year-on-year percentage change
Orders Received	15,803	16,191	-2.4%
Orders Backlog	2,522	2,449	+3.0%
Equipment Investment	1,721	1,238	+39.0%
Depreciation Expenses	1,481	1,390	+16.5%
R & D Expenses	470	450	+4.4%

Impact of the coronavirus until the end of March

Site	Situation	Impact on sales (million yen)
SEIKOH GIKEN Head Office	Production at a Chinese subsidiary stalled, sales of optical components increase	Japan -200
FUJI ELECTRONICS INDUSTRIES	Sales of pressed molded products decreased due to the suspension of operations by customers	
SEIKOH GIKEN HANGZHOU	Resumption of operations on February 11, normal operations from mid-March	Overseas -200
SEIKOH GIKEN DALIAN	Resumption of operations and normal operations from February 10	
SEIKOH GIKEN USA	Sales employees working from home, other employees working in shifts	
SEIKOH GIKEN EUROPE	Communications infrastructure providers given preferential treatment in the US Permission to go to work, as in the medical and distribution industries	
DATA PIXEL	Suspension of operations from March 17 to April 5 due to stay-at-home order After the reopening, manufacturing working in shifts and the other half staying at home	

Main products and technologies of the Precision Machinery Division

◆ Molds

Molds for data-archive discs
Other precision molds



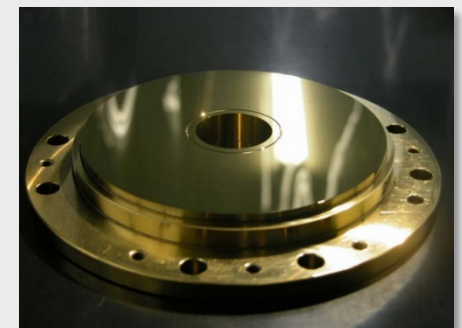
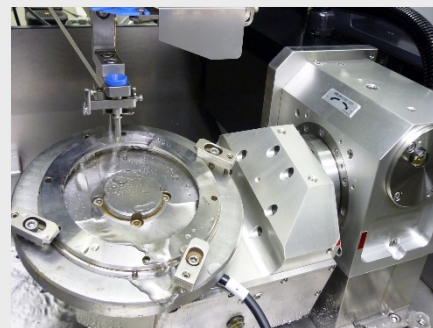
◆ Molded products

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



◆ Other

Precision processed metal parts, etc.



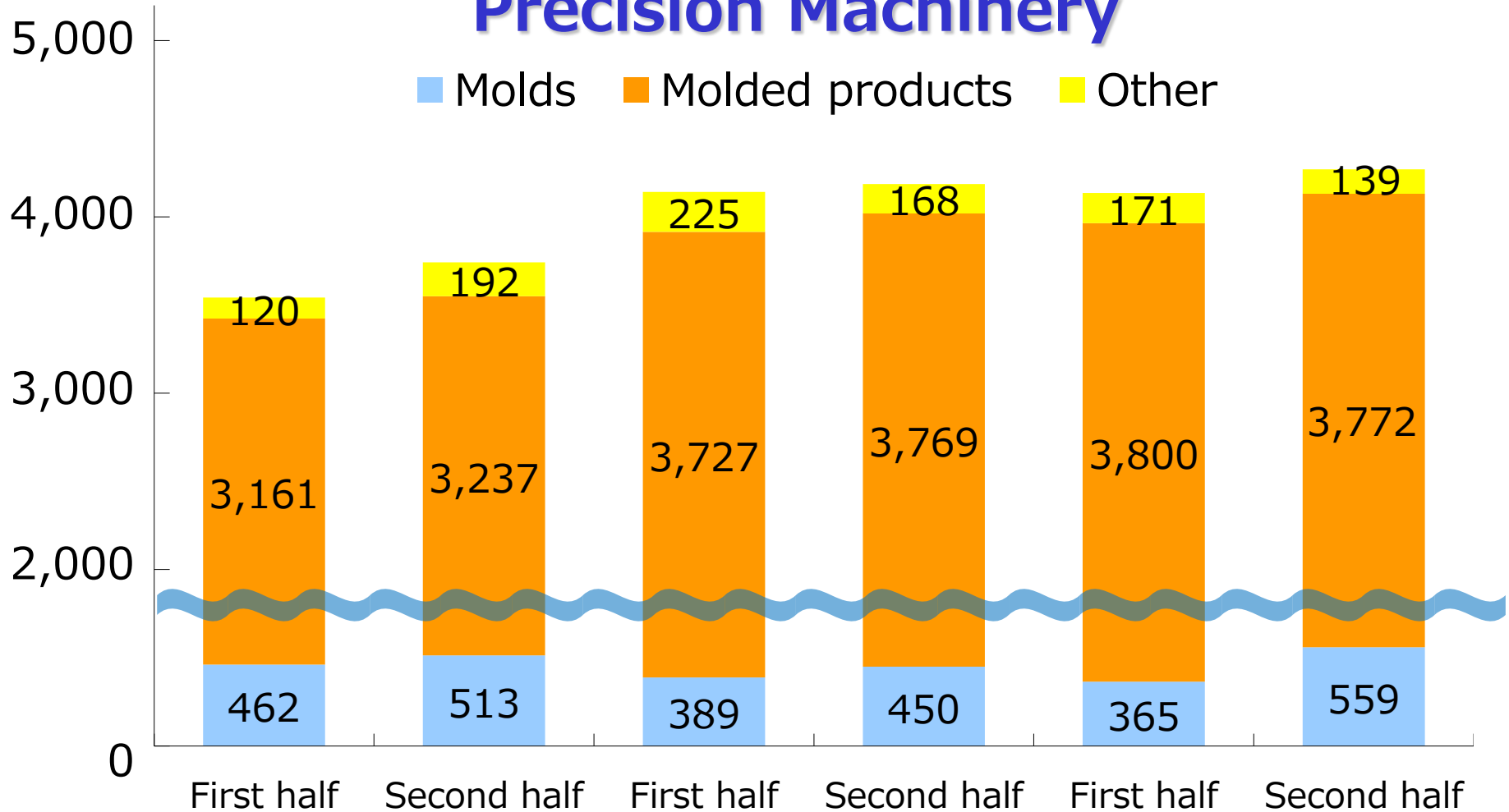
Business Results by Segment/ Precision Machinery

(¥ Million)	2020/03 Term	2019/03 Term	Year-on-year percentage change
Sales Amount	8,808	8,729	+ 0.9%
Operating Expenses	7,999	7,976	+ 0.3%
Operating Profit	809	753	+ 7.4%
Operating Profit Ratio	9.2%	8.6%	—

Sales Amounts by Product / Precision Machinery

■ Molds ■ Molded products ■ Other

¥ Million



2018/03 Term

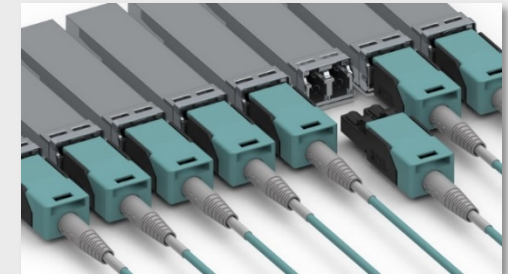
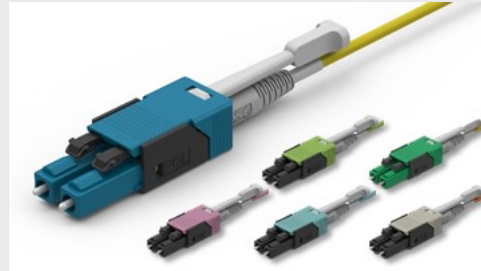
2019/03 Term

2020/03 Term

Main products and technologies of the Optical Products Division

◆ Optical communication network components

Optical connectors
Ferrules, etc.

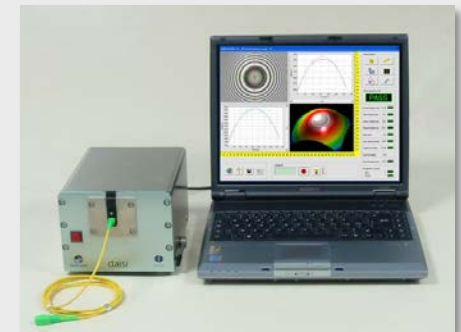


◆ Manufacturing machinery and equipment

Optical connector polishing machines



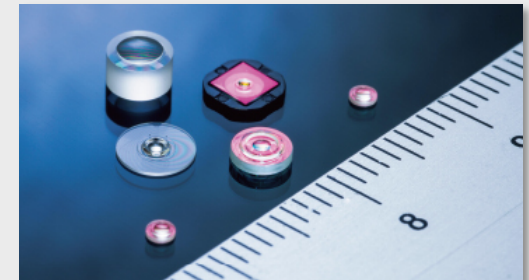
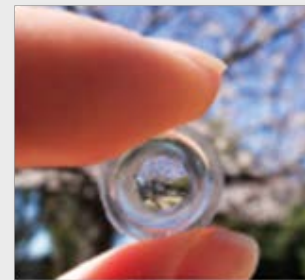
Inspection equipment for optical connector end faces



Optical electric field sensors, etc.

◆ Other

Micro lenses, etc.

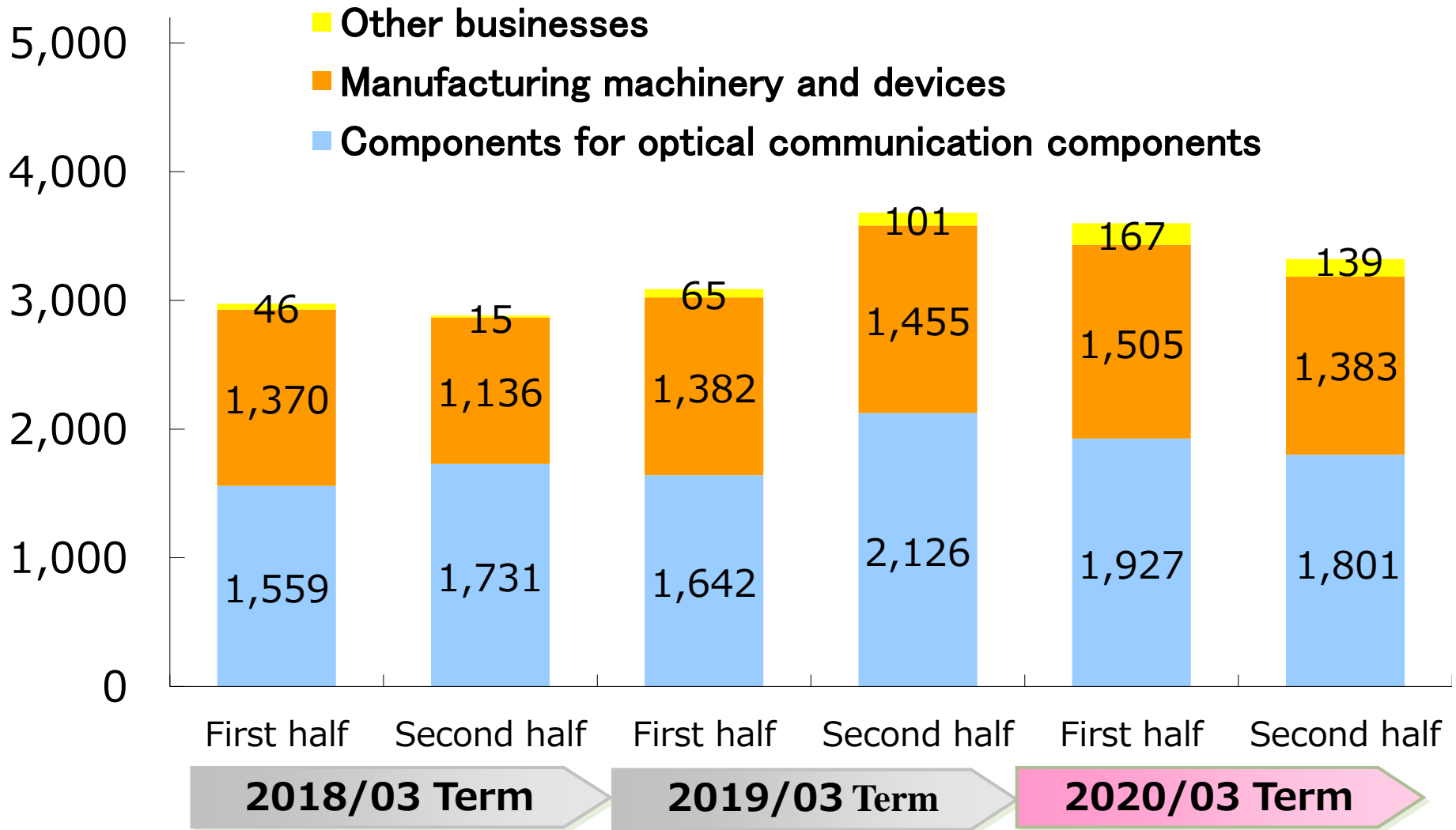


Business Results by Segment/ Fiber Optic Components & Instrumental

(¥ Million)	2020/03 Term	2019/03 Term	Year-on-year percentage change
Sales Amount	6,921	6,773	+ 2.2%
Operating Expenses	6,117	5,908	+ 3.5%
Operating Profit	804	865	-7.0%
Operating Profit Ratio	11.6%	12.8%	—

Sales Amounts by Product / Fiber Optic Components & Instrumental

¥ Million



Consolidated Balance Sheet

(¥ Million)

[Assets]	2020/03 Term	2019/03 Term	Amount (Increase/Decrease)
Current Assets	17,339	17,544	(204)
Fixed Assets	10,405	10,141	+263
Total Assets	27,744	27,686	+58

[Liabilities and Net Assets]

Current Liabilities	2,950	3,378	(427)
Fixed Liabilities	1,265	1,102	+163
Net Assets	23,528	23,204	+323
Total Liabilities/ Net Assets	27,744	27,686	+58

Consolidated Cash Flow Statement

(¥ Million)	2020/03 Term	2019/03 Term
CF - Operating	2,225	2,393
CF - Investing	(1,752)	(1,526)
CF- Financing	(685)	(254)
Increase in Cash	(265)	510
Balance at the beginning of term	3,816	3,305
Balance at the end of term	3,550	3,816

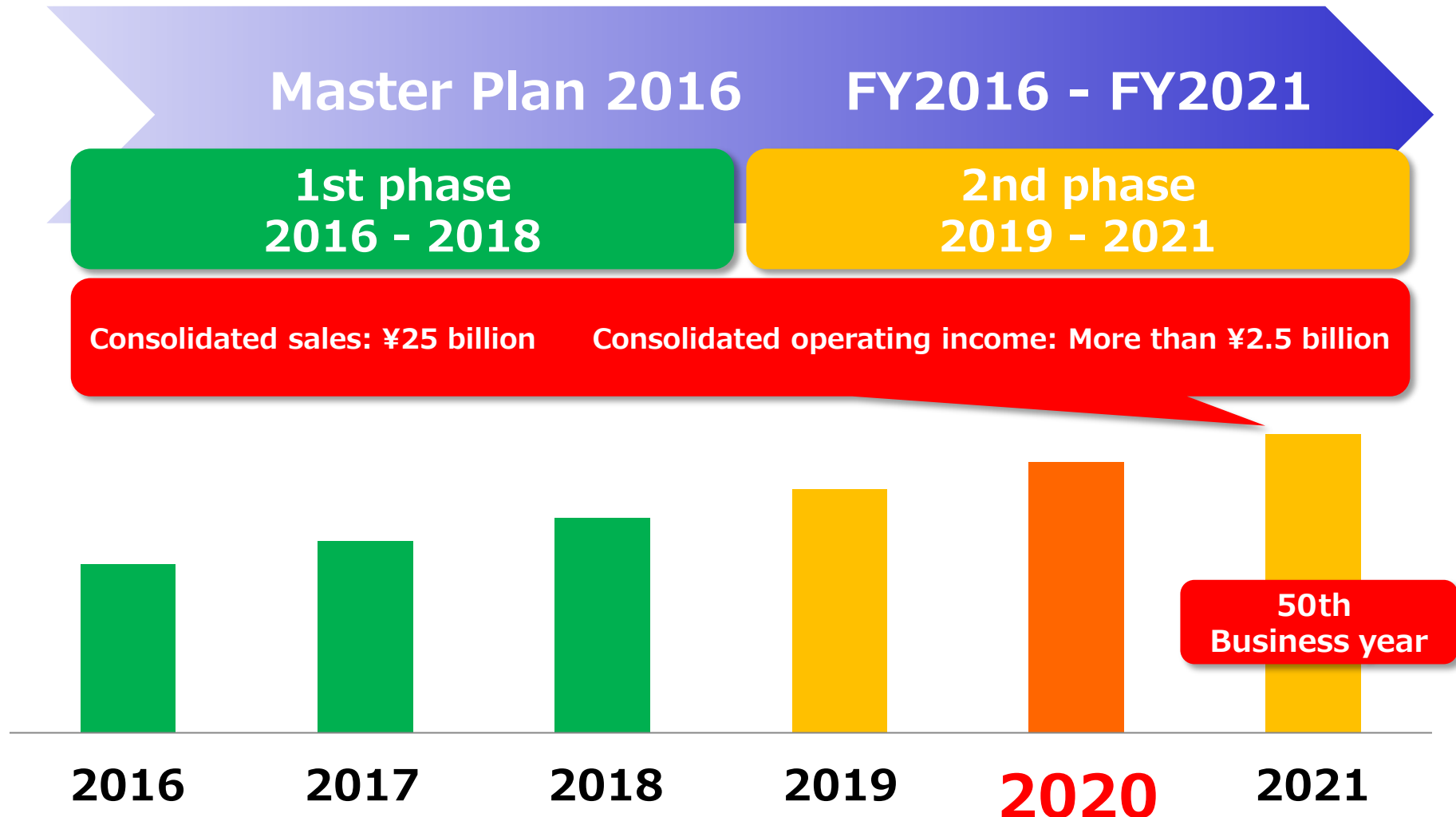
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Medium-Term Management Plan Master Plan 2016

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



Fundamental Strategies for the 2nd Phase

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

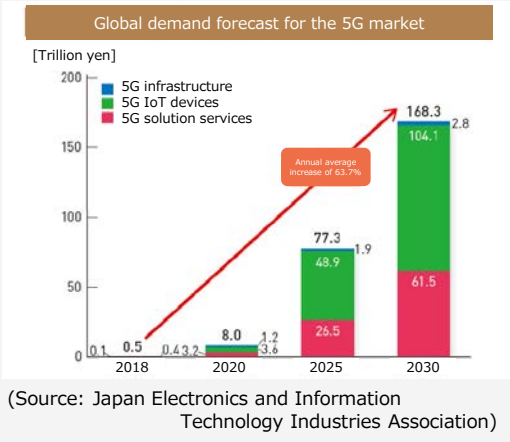
- Create next generation businesses
- Streamline loss-making businesses

3. Strengthen business foundations

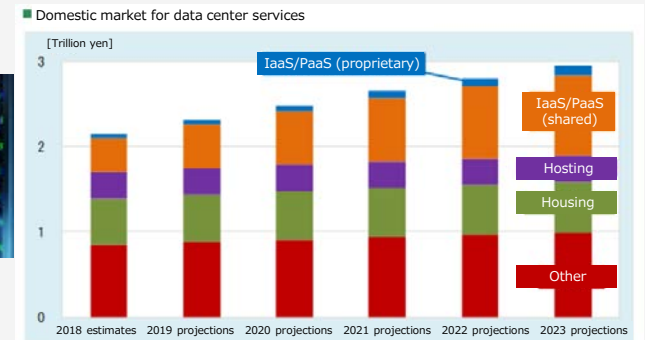
- Strengthen corporate functions
- Implement growth promoting investments
- Strengthen quality control and patent strategy

Prospects for relevant markets (external environment)

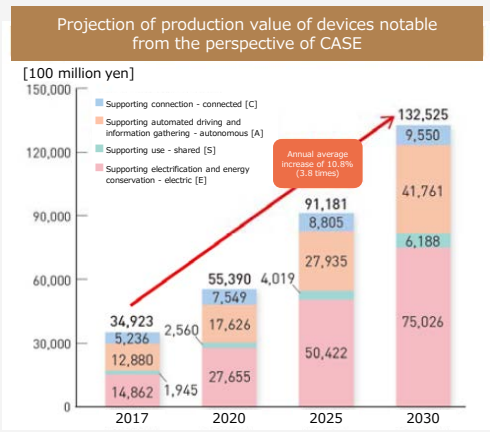
■ 5G related market expansion



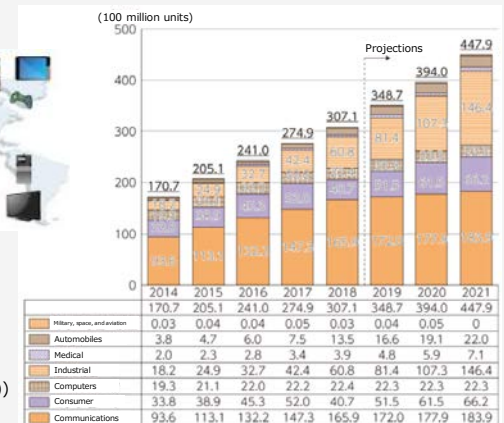
■ Expansion of the data center market



■ Expansion of automotive device market from CASE



■ Expansion of the IoT related market



(Source: Japan Electronics and Information Technology Industries Association)

(Source: Information and Communications in Japan WHITE PAPER 2019 (Ministry of Internal Affairs and Communications))

Our technical resources (internal environment)

■ Precision processing, precision molding, and optical technology



- Information and communication
- Automobiles
- Medical and bio science



1. Strengthening earnings of existing businesses

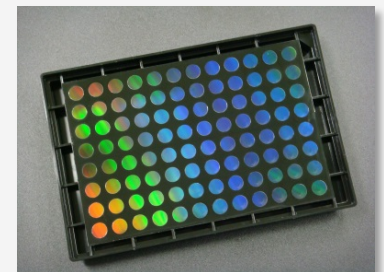
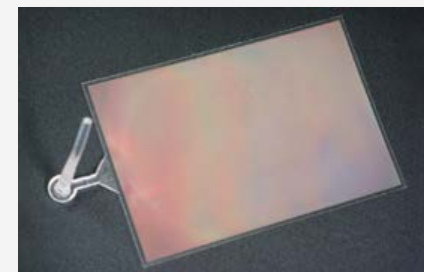
■ Precision Machinery Business

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

- Strengthen relationships with major existing customers
- Acceleration of business negotiations with new customers
- Reduce production lead times
- Develop repeat business



■ Accelerate new product development and new technology development

- Accelerate new business development for molded products→ Automotive, medical, and bio science applications
- Enhance precision mold technology, thin-wall molding technology, and micro-transfer technology
- Improve production automation (FA) 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
- Expanding sales of 5G-compatible optical communication devices
- Expanding sales of 5G-compatible optical electric field sensors
- Increase sales of micro lenses

■ Accelerate new product development and new technology development

- Attain volume production of optical devices compatible with 100G and 400G large-volume, high-speed data transmission
- Develop production automation equipment for optical communications components

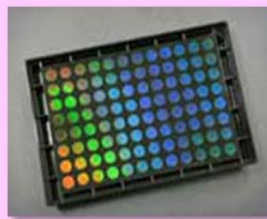


2. Optimization of the Business Portfolio

Problem businesses



Lenses



Molded products

Growth

Growth driving businesses



Optical communications products



Information / communication



Medical equipment / bio sciences



Car electronics

Next generation businesses

Cash

Promote lenses and precision molded products to growth driver businesses

Actively use financial resources to create next-generation businesses

3. Reinforcing the management base

■ Strengthen corporate functions - Establish a robust foundation supporting sustainable growth -

- Strengthen human resources
⇒ Develop human resources and recruit personnel for business expansion and globalization
- IT strategy
⇒ Invest in systems to maximize operational efficiency and optimize the Group's overall information systems
- Financial strategy
⇒ Strengthen budget and performance management and respond to changes in accounting standards
- Strengthen communication ⇒ Raise the Company's name recognition by strengthening external public relations
Create synergies by strengthening collaboration within the Group
- Sustainability ⇒ Strengthen governance at the Group level, reduce business continuity risk through BCP

■ Investment for growth - 10 billion yen investment framework by fiscal 2021 -

- Strengthen M&A ⇒ Acquisition of new technologies, new products, and new trading areas
- Strengthen R&D ⇒ Accelerate product development by promoting alliances and industry-academia collaboration, etc.

■ Strengthen quality control and patent strategy - Differentiation through trusted quality and leverage of patents -

- Improve quality levels across the entire group ⇒ Strengthen efforts to attain zero defects
- Step up proactive patent strategies ⇒ Strategic use of patents respectively for protection and attack

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Forecast of Consolidated Business Results for 2021/03 Term

(¥ Million)	First half	Second half	Forecast of the 2021/03 Term	Results for the 2020/03 Term
Sales Amount	6,900	8,520	15,420	15,729
Operating Profit	590	910	1,500	1,614
Ordinary Profit	630	950	1,580	1,688
Net profit	330	670	1,000	1,152
Equipment Investment			1,807	1,721
Depreciation Expenses			1,662	1,481
R & D Expenses			491	470

Forecast of Consolidated Business Results (by Segment) for 2021/03 Term

(¥ Million)	First half	Second half	Forecast of the 2021/03 Term	Results for the 2020/03 Term
The Relation of Precision Machinery				
Sales Amount	4,070	4,400	8,470	8,808
Operating Expenses	3,720	4,140	7,860	7,999
Operating Profit	350	260	610	809
The Relation of Optical Communications				
Sales Amount	2,830	4,120	6,950	6,921
Operating Expenses	2,590	3,470	6,060	6,117
Operating Profit	240	650	890	804

Concerning shareholder returns

		Forecast of the 2021/03 Term	Results for the 2020/03 Term	Results for the 2019/03 Term
Net income	million yen	1,000	1,152	1,232
Dividend per share	yen	40	40	30
Payout ratio	%	36.7	31.8	22.5

