

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019 (Based on Japanese GAAP)

August 7, 2019

Company name: SEIKO PMC CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 4963 URL <https://www.seikopmc.co.jp/>
 Representative: Representative Director Satoshi Takizawa
 and President
 Director, Head of Administration Hideki Inouchi TEL 03-6202-7331
 Inquiries: Division
 Scheduled date to file Quarterly Securities Report: August 14, 2019
 Scheduled date to commence dividend payments: September 3, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2019 (from January 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------------------|-----------------|-----|------------------|-------|-----------------|-------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended June 30, 2019 | 13,532 | 7.7 | 1,228 | 28.9 | 1,264 | 25.4 | 900 | 16.2 |
| Six months ended June 30, 2018 | 12,564 | 6.6 | 952 | (3.4) | 1,008 | (9.3) | 775 | (14.2) |

| | Earnings per share | | Diluted earnings per share | |
|--------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended June 30, 2019 | 29.70 | | - | |
| Six months ended June 30, 2018 | 25.57 | | - | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2019 | 34,510 | 25,911 | 71.6 |
| As of December 31, 2018 | 32,149 | 24,112 | 75.0 |

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | | | | |
| Year ended December 31, 2018 | - | 8.00 | - | 8.00 | 16.00 |
| Year ending December 31, 2019 | - | 8.00 | - | - | - |
| Year ending December 31, 2019 (Forecast) | - | - | - | 8.00 | 16.00 |

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|-----|------------------|------|-----------------|------|---|------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 27,280 | 5.4 | 2,450 | 24.4 | 2,520 | 21.2 | 1,810 | 15.9 | 59.69 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2019
 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|---------------------|-------------------|-------------------------|-------------------|
| As of June 30, 2019 | 30,743,604 shares | As of December 31, 2018 | 30,743,604 shares |
|---------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|---------------------|----------------|-------------------------|----------------|
| As of June 30, 2019 | 422,243 shares | As of December 31, 2018 | 422,243 shares |
|---------------------|----------------|-------------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|--------------------------------|-------------------|--------------------------------|-------------------|
| Six months ended June 30, 2019 | 30,321,361 shares | Six months ended June 30, 2018 | 30,321,508 shares |
|--------------------------------|-------------------|--------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of December 31, 2018 | As of June 30, 2019 |
|---|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,421,385 | 2,611,719 |
| Notes and accounts receivable - trade | 10,664,515 | 10,109,134 |
| Electronically recorded monetary claims - operating | 1,368,324 | 1,413,140 |
| Merchandise and finished goods | 2,184,805 | 2,349,665 |
| Work in process | 351,125 | 383,767 |
| Raw materials and supplies | 1,170,695 | 1,041,769 |
| Short-term loans receivable | 2,939,040 | 2,539,864 |
| Other | 253,358 | 313,614 |
| Allowance for doubtful accounts | (4,964) | (9,555) |
| Total current assets | 20,348,285 | 20,753,121 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,445,747 | 2,717,588 |
| Machinery, equipment and vehicles, net | 2,024,894 | 2,162,433 |
| Land | 4,466,994 | 6,564,454 |
| Other, net | 479,268 | 939,750 |
| Total property, plant and equipment | 9,416,904 | 12,384,226 |
| Intangible assets | 74,145 | 70,977 |
| Investments and other assets | | |
| Investment securities | 1,901,919 | 915,078 |
| Other | 455,873 | 438,239 |
| Allowance for doubtful accounts | (47,894) | (50,983) |
| Total investments and other assets | 2,309,898 | 1,302,334 |
| Total non-current assets | 11,800,948 | 13,757,538 |
| Total assets | 32,149,234 | 34,510,659 |

(Thousands of yen)

| | As of December 31, 2018 | As of June 30, 2019 |
|---|-------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,934,200 | 3,938,239 |
| Short-term loans payable | 730,000 | 730,000 |
| Income taxes payable | 279,873 | 299,056 |
| Provision for bonuses | 550,685 | 561,778 |
| Current portion of long-term loans payable | – | 71,224 |
| Other provision | – | 30,950 |
| Other | 1,875,203 | 1,748,641 |
| Total current liabilities | 7,369,963 | 7,379,889 |
| Non-current liabilities | | |
| Long-term loans payable | – | 694,684 |
| Provision for directors' retirement benefits | 15,925 | 7,800 |
| Net defined benefit liability | 555,700 | 414,155 |
| Asset retirement obligations | 85,448 | 85,873 |
| Other | 9,706 | 17,146 |
| Total non-current liabilities | 666,780 | 1,219,660 |
| Total liabilities | 8,036,743 | 8,599,549 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,000,000 | 2,000,000 |
| Capital surplus | 1,566,178 | 1,576,265 |
| Retained earnings | 20,999,994 | 21,658,049 |
| Treasury shares | (105,272) | (105,272) |
| Total shareholders' equity | 24,460,900 | 25,129,042 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 309,511 | 293,100 |
| Deferred gains or losses on hedges | (1,000) | (669) |
| Foreign currency translation adjustment | 70,156 | (13,431) |
| Remeasurements of defined benefit plans | (727,077) | (687,286) |
| Total accumulated other comprehensive income | (348,410) | (408,287) |
| Non-controlling interests | – | 1,190,354 |
| Total net assets | 24,112,490 | 25,911,109 |
| Total liabilities and net assets | 32,149,234 | 34,510,659 |

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended June 30, 2018 | Six months ended June 30, 2019 |
|---|-----------------------------------|-----------------------------------|
| Net sales | 12,564,306 | 13,532,282 |
| Cost of sales | 9,344,026 | 9,889,178 |
| Gross profit | 3,220,279 | 3,643,103 |
| Selling, general and administrative expenses | 2,267,333 | 2,414,770 |
| Operating profit | 952,946 | 1,228,333 |
| Non-operating income | | |
| Interest income | 5,951 | 6,946 |
| Dividend income | 10,730 | 11,215 |
| Purchase discounts | 7,761 | 6,716 |
| Share of profit of entities accounted for using equity method | 48,815 | – |
| Subsidy income | – | 20,198 |
| Other | 28,837 | 32,170 |
| Total non-operating income | 102,095 | 77,247 |
| Non-operating expenses | | |
| Interest expenses | 1,467 | 6,513 |
| Sales discounts | 2,918 | 2,448 |
| Foreign exchange losses | 38,428 | 28,578 |
| Other | 3,889 | 3,337 |
| Total non-operating expenses | 46,704 | 40,877 |
| Ordinary profit | 1,008,337 | 1,264,703 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 2 | 5 |
| Gain on sales of memberships | 696 | – |
| Gain on bargain purchase | – | 85,367 |
| Total extraordinary income | 698 | 85,373 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 5 | – |
| Loss on retirement of non-current assets | 1,458 | 14,491 |
| Provision of allowance for doubtful accounts | – | 4,000 |
| Loss on step acquisitions | – | 59,043 |
| Total extraordinary losses | 1,464 | 77,534 |
| Profit before income taxes | 1,007,572 | 1,272,542 |
| Income taxes - current | 227,901 | 270,132 |
| Income taxes - deferred | 4,351 | 37,512 |
| Total income taxes | 232,252 | 307,644 |
| Profit | 775,319 | 964,898 |
| Profit attributable to non-controlling interests | – | 64,271 |
| Profit attributable to owners of parent | 775,319 | 900,626 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Six months ended June 30, 2018 | Six months ended June 30, 2019 |
|--|-----------------------------------|-----------------------------------|
| Profit | 775,319 | 964,898 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (90,275) | (16,410) |
| Deferred gains or losses on hedges | 596 | 330 |
| Foreign currency translation adjustment | (77,540) | (132,485) |
| Remeasurements of defined benefit plans, net of tax | 33,546 | 39,790 |
| Share of other comprehensive income of entities accounted for using equity method | 459 | – |
| Total other comprehensive income | (133,212) | (108,774) |
| Comprehensive income | 642,107 | 856,123 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 642,107 | 840,749 |
| Comprehensive income attributable to non-controlling interests | – | 15,374 |

Consolidated statements of cash flows

(Thousands of yen)

| | Six months ended June 30, 2018 | Six months ended June 30, 2019 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,007,572 | 1,272,542 |
| Depreciation | 476,542 | 501,395 |
| Gain on bargain purchase | – | (85,367) |
| Loss (gain) on step acquisitions | – | 59,043 |
| Increase (decrease) in allowance for doubtful accounts | (2,640) | 6,309 |
| Increase (decrease) in net defined benefit liability | (109,219) | (84,209) |
| Increase (decrease) in provision for bonuses | (1,564) | 12,133 |
| Increase (decrease) in other provision | 35,150 | 22,825 |
| Increase (decrease) in accounts payable-directors' bonuses | (51,290) | (70,300) |
| Interest and dividend income | (16,682) | (18,162) |
| Interest expenses | 1,467 | 6,513 |
| Foreign exchange losses (gains) | 31,794 | 24,791 |
| Loss (gain) on sales of non-current assets | 3 | (5) |
| Loss on retirement of non-current assets | 1,458 | 14,491 |
| Share of loss (profit) of entities accounted for using equity method | (48,815) | – |
| Loss (gain) on sales of membership | (696) | – |
| Decrease (increase) in notes and accounts receivable - trade | 484,316 | 712,717 |
| Decrease (increase) in inventories | (306,959) | 182,705 |
| Increase (decrease) in notes and accounts payable - trade | (122,643) | (321,239) |
| Decrease (increase) in accounts receivable - other | 65,166 | (4,514) |
| Other, net | (39,496) | (16,168) |
| Subtotal | 1,403,464 | 2,215,499 |
| Interest and dividend income received | 45,562 | 18,162 |
| Interest expenses paid | (1,483) | (6,519) |
| Income taxes paid | (225,250) | (267,323) |
| Net cash provided by (used in) operating activities | 1,222,292 | 1,959,819 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (800,733) | (901,670) |
| Proceeds from sales of property, plant and equipment | 153 | 213 |
| Purchase of investment securities | (2,852) | (2,999) |
| Purchase of intangible assets | (3,616) | (11,103) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | – | 248,698 |
| Payments into time deposits | (53,871) | – |
| Proceeds from withdrawal of time deposits | 54,754 | – |
| Proceeds from sales of membership | 1,296 | – |
| Net decrease (increase) in short-term loans receivable | 229,185 | 399,175 |
| Other, net | (63) | (26,019) |
| Net cash provided by (used in) investing activities | (575,747) | (293,705) |

(Thousands of yen)

| | Six months ended June 30, 2018 | Six months ended June 30, 2019 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (100,000) | – |
| Repayments of long-term loans payable | – | (36,328) |
| Cash dividends paid | (212,191) | (257,698) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | – | (130,713) |
| Other, net | (4,896) | (4,842) |
| Net cash provided by (used in) financing activities | (317,088) | (429,583) |
| Effect of exchange rate change on cash and cash equivalents | (20,648) | (46,195) |
| Net increase (decrease) in cash and cash equivalents | 308,807 | 1,190,334 |
| Cash and cash equivalents at beginning of period | 1,429,504 | 1,421,385 |
| Cash and cash equivalents at end of period | 1,738,311 | 2,611,719 |