

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2019
(Based on Japanese GAAP)**

February 13, 2020

Company name: SEIKO PMC CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 4963 URL <https://www.seikopmc.co.jp/>
 Representative: Representative Director and President Satoshi Takizawa
 Inquiries: Director, Head of Administration Division Hideki Inouchi TEL 03-6202-7331
 Scheduled date of ordinary general meeting of shareholders: March 25, 2020
 Scheduled date to file Securities Report: March 26, 2020
 Scheduled date to commence dividend payments: March 26, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results

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	%
Year ended December 31, 2019	27,970	8.0	2,790	41.7	2,839	36.5	1,961	25.6
Year ended December 31, 2018	25,889	3.2	1,969	(11.3)	2,080	(15.6)	1,561	(21.9)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2019	64.69	–	7.9	8.3	10.0
Year ended December 31, 2018	51.51	–	6.6	6.5	7.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2019	36,225	27,136	71.2	850.11
As of December 31, 2018	32,149	24,112	75.0	795.23

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2019	3,278	(2,311)	(711)	1,663
Year ended December 31, 2018	1,519	(943)	(564)	1,421

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2018	–	8.00	–	8.00	16.00	485	31.1	2.0
Year ended December 31, 2019	–	8.00	–	8.00	16.00	485	24.7	1.9
Year ending December 31, 2020 (Forecast)	–	8.00	–	8.00	16.00		26.1	

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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	28,650	2.4	2,700	(3.2)	2,760	(2.8)	1,860	(5.2)	61.34

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2019	30,743,604 shares	As of December 31, 2018	30,743,604 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	422,243 shares	As of December 31, 2018	422,243 shares
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Average number of shares during the period

Year ended December 31, 2019	30,321,361 shares	Year ended December 31, 2018	30,321,450 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,421,385	1,663,648
Notes and accounts receivable - trade	10,664,515	10,916,857
Electronically recorded monetary claims - operating	1,368,324	1,409,707
Merchandise and finished goods	2,184,805	2,437,503
Work in process	351,125	356,563
Raw materials and supplies	1,170,695	1,077,577
Short-term loans receivable	2,939,040	3,697,933
Other	253,358	289,859
Allowance for doubtful accounts	(4,964)	(11,680)
Total current assets	20,348,285	21,837,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,661,446	11,104,300
Accumulated depreciation	(8,215,698)	(8,377,587)
Buildings and structures, net	2,445,747	2,726,712
Machinery, equipment and vehicles	20,039,851	21,218,583
Accumulated depreciation	(18,014,957)	(18,777,338)
Machinery, equipment and vehicles, net	2,024,894	2,441,244
Land	4,466,994	6,660,889
Construction in progress	219,835	712,462
Other	2,247,714	2,330,668
Accumulated depreciation	(1,988,281)	(2,062,823)
Other, net	259,433	267,845
Total property, plant and equipment	9,416,904	12,809,154
Intangible assets	74,145	72,090
Investments and other assets		
Investment securities	1,901,919	964,335
Deferred tax assets	230,772	97,499
Other	225,101	495,409
Allowance for doubtful accounts	(47,894)	(51,002)
Total investments and other assets	2,309,898	1,506,241
Total non-current assets	11,800,948	14,387,486
Total assets	32,149,234	36,225,458

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,934,200	4,179,503
Short-term loans payable	730,000	730,000
Current portion of long-term loans payable	–	74,498
Income taxes payable	279,873	388,018
Accounts payable-directors' bonuses	70,300	61,900
Provision for bonuses	550,685	665,564
Other	1,804,903	2,071,206
Total current liabilities	7,369,963	8,170,691
Non-current liabilities		
Long-term loans payable	–	689,375
Provision for retirement benefits for directors (and other officers)	15,925	7,800
Retirement benefit liability	555,700	118,894
Asset retirement obligations	85,448	88,940
Other	9,706	13,358
Total non-current liabilities	666,780	918,368
Total liabilities	8,036,743	9,089,060
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	22,476,443
Treasury shares	(105,272)	(105,272)
Total shareholders' equity	24,460,900	25,947,436
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	309,511	325,609
Deferred gains or losses on hedges	(1,000)	51
Foreign currency translation adjustment	70,156	68,640
Remeasurements of defined benefit plans	(727,077)	(565,255)
Total accumulated other comprehensive income	(348,410)	(170,953)
Non-controlling interests	–	1,359,916
Total net assets	24,112,490	27,136,398
Total liabilities and net assets	32,149,234	36,225,458

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	25,889,022	27,970,050
Cost of sales	19,361,745	20,251,931
Gross profit	6,527,276	7,718,118
Selling, general and administrative expenses	4,558,131	4,927,935
Operating profit	1,969,144	2,790,182
Non-operating income		
Interest income	9,182	16,927
Dividend income	20,134	21,960
Purchase discounts	14,890	13,388
Share of profit of entities accounted for using equity method	89,766	–
Subsidy income	–	20,198
Other	59,304	51,918
Total non-operating income	193,278	124,392
Non-operating expenses		
Interest expenses	2,900	13,687
Sales discounts	5,354	4,604
Foreign exchange losses	66,525	50,688
Other	7,584	5,842
Total non-operating expenses	82,364	74,822
Ordinary profit	2,080,058	2,839,752
Extraordinary income		
Gain on sales of non-current assets	11,322	141
Gain on sales of investment securities	–	1,005
Gain on sales of memberships	696	–
Gain on bargain purchase	–	85,367
Total extraordinary income	12,018	86,514
Extraordinary losses		
Loss on sales of non-current assets	5	–
Loss on retirement of non-current assets	32,480	35,477
Loss on step acquisitions	–	59,043
Other	231	4,000
Total extraordinary losses	32,718	98,520
Profit before income taxes	2,059,359	2,827,746
Income taxes - current	513,219	634,831
Income taxes - deferred	(15,782)	56,051
Total income taxes	497,437	690,883
Profit	1,561,921	2,136,863
Profit attributable to non-controlling interests	–	175,272
Profit attributable to owners of parent	1,561,921	1,961,590

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	1,561,921	2,136,863
Other comprehensive income		
Valuation difference on available-for-sale securities	(181,369)	16,098
Deferred gains or losses on hedges	(490)	1,052
Foreign currency translation adjustment	(64,985)	7,720
Remeasurements of defined benefit plans, net of tax	(248,667)	161,821
Share of other comprehensive income of entities accounted for using equity method	(45,365)	–
Total other comprehensive income	(540,879)	186,692
Comprehensive income	1,021,042	2,323,555
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,021,042	2,139,047
Comprehensive income attributable to non-controlling interests	–	184,508

Consolidated statements of changes in equity

Fiscal year ended December 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	1,566,178	19,892,895	(105,028)	23,354,045
Changes of items during period					
Dividends of surplus			(454,822)		(454,822)
Profit attributable to owners of parent			1,561,921		1,561,921
Purchase of treasury shares				(243)	(243)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,107,099	(243)	1,106,855
Balance at end of current period	2,000,000	1,566,178	20,999,994	(105,272)	24,460,900

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	490,880	(509)	180,507	(478,409)	192,468	23,546,514
Changes of items during period						
Dividends of surplus						(454,822)
Profit attributable to owners of parent						1,561,921
Purchase of treasury shares						(243)
Net changes of items other than shareholders' equity	(181,369)	(490)	(110,350)	(248,667)	(540,879)	(540,879)
Total changes of items during period	(181,369)	(490)	(110,350)	(248,667)	(540,879)	565,976
Balance at end of current period	309,511	(1,000)	70,156	(727,077)	(348,410)	24,112,490

Fiscal year ended December 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	1,566,178	20,999,994	(105,272)	24,460,900
Changes of items during period					
Dividends of surplus			(485,141)		(485,141)
Profit attributable to owners of parent			1,961,590		1,961,590
Change in ownership interest of parent due to transactions with non-controlling interests		10,086			10,086
Net changes of items other than shareholders' equity					
Total changes of items during period	–	10,086	1,476,449	–	1,486,535
Balance at end of current period	2,000,000	1,576,265	22,476,443	(105,272)	25,947,436

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	309,511	(1,000)	70,156	(727,077)	(348,410)	–	24,112,490
Changes of items during period							
Dividends of surplus							(485,141)
Profit attributable to owners of parent							1,961,590
Change in ownership interest of parent due to transactions with non-controlling interests							10,086
Net changes of items other than shareholders' equity	16,098	1,052	(1,515)	161,821	177,456	1,359,916	1,537,372
Total changes of items during period	16,098	1,052	(1,515)	161,821	177,456	1,359,916	3,023,908
Balance at end of current period	325,609	51	68,640	(565,255)	(170,953)	1,359,916	27,136,398

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,059,359	2,827,746
Depreciation	977,946	1,072,419
Gain on bargain purchase	–	(85,367)
Loss (gain) on step acquisitions	–	59,043
Increase (decrease) in allowance for doubtful accounts	(2,426)	8,252
Increase (decrease) in retirement benefit liability	(207,682)	(203,633)
Increase (decrease) in provision for bonuses	1,053	112,494
Increase (decrease) in provision for retirement benefits for directors (and other officers)	–	(8,125)
Increase (decrease) in accounts payable-directors' bonuses	19,010	(8,400)
Interest and dividend income	(29,316)	(38,887)
Interest expenses	2,900	13,687
Foreign exchange losses (gains)	56,146	34,523
Loss (gain) on sales of non-current assets	(11,316)	(141)
Loss on retirement of non-current assets	32,480	35,477
Loss (gain) on sales of investment securities	–	(1,005)
Share of loss (profit) of entities accounted for using equity method	(89,766)	–
Decrease (increase) in notes and accounts receivable - trade	(354,935)	(91,976)
Decrease (increase) in inventories	(355,378)	96,446
Decrease (increase) in accounts receivable - other	74,233	10,136
Increase (decrease) in notes and accounts payable - trade	(155,563)	(89,981)
Other, net	(24,022)	87,666
Subtotal	1,992,722	3,830,377
Interest and dividend income received	58,177	38,887
Interest expenses paid	(2,903)	(13,680)
Income taxes paid	(528,053)	(577,246)
Net cash provided by (used in) operating activities	1,519,942	3,278,337
Cash flows from investing activities		
Purchase of investment securities	(78,228)	(6,032)
Proceeds from sales of investment securities	–	2,055
Purchase of property, plant and equipment	(1,191,629)	(1,486,974)
Proceeds from sales of property, plant and equipment	16,988	347
Purchase of intangible assets	(8,802)	(27,558)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	248,698
Payments into time deposits	(52,705)	–
Proceeds from withdrawal of time deposits	53,569	–
Proceeds from sales of membership	1,296	–
Net decrease (increase) in short-term loans receivable	328,273	(758,893)
Payments for asset retirement obligations	(11,500)	–
Payments for guarantee deposits	(1,040)	(255,817)
Other, net	316	(27,026)
Net cash provided by (used in) investing activities	(943,462)	(2,311,200)

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100,000)	–
Repayments of long-term loans payable	–	(72,247)
Cash dividends paid	(454,774)	(500,000)
Purchase of treasury shares	(243)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(130,713)
Other, net	(9,417)	(8,125)
Net cash provided by (used in) financing activities	(564,435)	(711,087)
Effect of exchange rate change on cash and cash equivalents	(20,164)	(13,787)
Net increase (decrease) in cash and cash equivalents	(8,119)	242,263
Cash and cash equivalents at beginning of period	1,429,504	1,421,385
Cash and cash equivalents at end of period	1,421,385	1,663,648