

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2018 (Based on Japanese GAAP)

February 13, 2019

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 26, 2019
 Scheduled date to file Securities Report: March 27, 2019
 Scheduled date to commence dividend payments: March 27, 2019
 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, 2018 (from January 1, 2018 to December 31, 2018)

(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, 2018	25,889	3.2	1,969	(11.3)	2,080	(15.6)	1,561	(21.9)
Year ended December 31, 2017	25,086	3.0	2,220	(3.5)	2,464	6.5	1,999	11.4

	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, 2018	51.51	–	6.6	6.5	7.6
Year ended December 31, 2017	65.94	–	8.9	7.9	8.9

(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, 2018	32,224	24,112	74.8	795.23
As of December 31, 2017	32,106	23,546	73.3	776.56

(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, 2018	1,519	(943)	(564)	1,421
Year ended December 31, 2017	1,646	(1,213)	(372)	1,429

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, 2017	–	6.00	–	7.00	13.00	394	19.7	1.7
Year ended December 31, 2018	–	8.00	–	8.00	16.00	485	31.1	2.0
Year ending December 31, 2019 (Forecast)	–	8.00	–	8.00	16.00		28.5	

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
Six months ending June 30, 2019	13,740	9.4	960	0.7	1,010	0.2	690	(11.0)	22.76
Full year	28,400	9.7	2,320	17.8	2,400	15.4	1,700	8.8	56.07

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(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, 2018	30,743,604 shares	As of December 31, 2017	30,743,604 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	422,243 shares	As of December 31, 2017	422,028 shares
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Average number of shares during the period

Year ended December 31, 2018	30,321,450 shares	Year ended December 31, 2017	30,321,672 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	1,429,504	1,421,385
Notes and accounts receivable - trade	11,154,652	10,664,515
Electronically recorded monetary claims - operating	631,457	1,368,324
Merchandise and finished goods	1,972,755	2,184,805
Work in process	273,460	351,125
Raw materials and supplies	1,119,257	1,170,695
Deferred tax assets	275,509	293,830
Short-term loans receivable	3,267,313	2,939,040
Other	295,899	253,358
Allowance for doubtful accounts	(7,645)	(4,964)
Total current assets	20,412,165	20,642,115
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,436,486	10,661,446
Accumulated depreciation	(8,024,352)	(8,215,698)
Buildings and structures, net	2,412,133	2,445,747
Machinery, equipment and vehicles	19,660,671	20,039,851
Accumulated depreciation	(17,579,921)	(18,014,957)
Machinery, equipment and vehicles, net	2,080,749	2,024,894
Land	4,472,316	4,466,994
Construction in progress	57,636	219,835
Other	2,253,386	2,247,714
Accumulated depreciation	(1,960,277)	(1,988,281)
Other, net	293,109	259,433
Total property, plant and equipment	9,315,945	9,416,904
Intangible assets	95,475	74,145
Investments and other assets		
Investment securities	2,066,501	1,901,919
Deferred tax assets	15,271	11,778
Other	248,567	225,101
Allowance for doubtful accounts	(47,725)	(47,894)
Total investments and other assets	2,282,614	2,090,905
Total non-current assets	11,694,035	11,581,955
Total assets	32,106,200	32,224,070

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,109,458	3,934,200
Short-term loans payable	830,000	730,000
Income taxes payable	283,978	279,873
Accounts payable-directors' bonuses	51,290	70,300
Provision for bonuses	550,853	550,685
Asset retirement obligations	11,500	–
Other	1,946,536	1,804,903
Total current liabilities	7,783,617	7,369,963
Non-current liabilities		
Provision for directors' retirement benefits	15,925	15,925
Net defined benefit liability	405,071	555,700
Asset retirement obligations	84,363	85,448
Deferred tax liabilities	259,405	74,836
Other	11,304	9,706
Total non-current liabilities	776,069	741,617
Total liabilities	8,559,686	8,111,580
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	1,566,178	1,566,178
Retained earnings	19,892,895	20,999,994
Treasury shares	(105,028)	(105,272)
Total shareholders' equity	23,354,045	24,460,900
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	490,880	309,511
Deferred gains or losses on hedges	(509)	(1,000)
Foreign currency translation adjustment	180,507	70,156
Remeasurements of defined benefit plans	(478,409)	(727,077)
Total accumulated other comprehensive income	192,468	(348,410)
Total net assets	23,546,514	24,112,490
Total liabilities and net assets	32,106,200	32,224,070

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

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	25,086,913	25,889,022
Cost of sales	18,366,379	19,361,745
Gross profit	6,720,533	6,527,276
Selling, general and administrative expenses	4,499,976	4,558,131
Operating profit	2,220,557	1,969,144
Non-operating income		
Interest income	10,317	9,182
Dividend income	23,974	20,134
Purchase discounts	13,050	14,890
Foreign exchange gains	17,181	–
Share of profit of entities accounted for using equity method	146,328	89,766
Other	48,243	59,304
Total non-operating income	259,096	193,278
Non-operating expenses		
Interest expenses	2,908	2,900
Sales discounts	5,504	5,354
Foreign exchange losses	–	66,525
Other	6,742	7,584
Total non-operating expenses	15,156	82,364
Ordinary profit	2,464,497	2,080,058
Extraordinary income		
Gain on sales of non-current assets	279	11,322
Gain on sales of investment securities	77,697	–
Gain on sales of memberships	–	696
Total extraordinary income	77,977	12,018
Extraordinary losses		
Loss on sales of non-current assets	–	5
Loss on retirement of non-current assets	13,100	32,480
Impairment loss	34,023	–
Other	–	231
Total extraordinary losses	47,123	32,718
Profit before income taxes	2,495,351	2,059,359
Income taxes - current	513,419	513,219
Income taxes - deferred	(17,600)	(15,782)
Total income taxes	495,819	497,437
Profit	1,999,532	1,561,921
Profit attributable to owners of parent	1,999,532	1,561,921

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	1,999,532	1,561,921
Other comprehensive income		
Valuation difference on available-for-sale securities	74,327	(181,369)
Deferred gains or losses on hedges	(1,858)	(490)
Foreign currency translation adjustment	28,816	(107,892)
Remeasurements of defined benefit plans, net of tax	143,191	(248,667)
Share of other comprehensive income of entities accounted for using equity method	42,906	(2,458)
Total other comprehensive income	287,383	(540,879)
Comprehensive income	2,286,915	1,021,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,286,915	1,021,042
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended December 31, 2017

(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	18,257,223	(104,834)	21,718,567
Changes of items during period					
Dividends of surplus			(363,860)		(363,860)
Profit attributable to owners of parent			1,999,532		1,999,532
Purchase of treasury shares				(194)	(194)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,635,671	(194)	1,635,477
Balance at end of current period	2,000,000	1,566,178	19,892,895	(105,028)	23,354,045

	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	416,553	1,348	108,784	(621,601)	(94,914)	21,623,652
Changes of items during period						
Dividends of surplus						(363,860)
Profit attributable to owners of parent						1,999,532
Purchase of treasury shares						(194)
Net changes of items other than shareholders' equity	74,327	(1,858)	71,723	143,191	287,383	287,383
Total changes of items during period	74,327	(1,858)	71,723	143,191	287,383	1,922,861
Balance at end of current period	490,880	(509)	180,507	(478,409)	192,468	23,546,514

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

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,495,351	2,059,359
Depreciation	945,221	977,946
Increase (decrease) in allowance for doubtful accounts	(2,579)	(2,426)
Increase (decrease) in net defined benefit liability	(211,928)	(207,682)
Increase (decrease) in provision for bonuses	(4,839)	1,053
Increase (decrease) in accounts payable-directors' bonuses	10,580	19,010
Interest and dividend income	(34,292)	(29,316)
Interest expenses	2,908	2,900
Foreign exchange losses (gains)	(22,382)	56,146
Loss (gain) on sales of non-current assets	(279)	(11,316)
Loss on retirement of non-current assets	13,100	32,480
Impairment loss	34,023	–
Loss (gain) on sales of investment securities	(77,697)	–
Share of loss (profit) of entities accounted for using equity method	(146,328)	(89,766)
Decrease (increase) in notes and accounts receivable - trade	(823,816)	(354,935)
Decrease (increase) in inventories	(167,183)	(355,378)
Decrease (increase) in accounts receivable - other	(83,119)	74,233
Increase (decrease) in notes and accounts payable - trade	518,815	(155,563)
Other, net	(191,136)	(24,022)
Subtotal	2,254,416	1,992,722
Interest and dividend income received	63,812	58,177
Interest expenses paid	(2,908)	(2,903)
Income taxes paid	(669,303)	(528,053)
Net cash provided by (used in) operating activities	1,646,016	1,519,942
Cash flows from investing activities		
Purchase of investment securities	(723,520)	(78,228)
Proceeds from sales of investment securities	116,451	–
Purchase of property, plant and equipment	(983,528)	(1,191,629)
Proceeds from sales of property, plant and equipment	280	16,988
Purchase of intangible assets	(28,371)	(8,802)
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	448,953	328,273
Collection of long-term loans receivable from employees	996	–
Payments for asset retirement obligations	–	(11,500)
Other, net	(44,444)	(724)
Net cash provided by (used in) investing activities	(1,213,184)	(943,462)

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(100,000)
Cash dividends paid	(363,615)	(454,774)
Purchase of treasury shares	(194)	(243)
Other, net	(8,896)	(9,417)
Net cash provided by (used in) financing activities	(372,706)	(564,435)
Effect of exchange rate change on cash and cash equivalents	8,332	(20,164)
Net increase (decrease) in cash and cash equivalents	68,457	(8,119)
Cash and cash equivalents at beginning of period	1,361,047	1,429,504
Cash and cash equivalents at end of period	1,429,504	1,421,385