

# Consolidated Financial Results for the Second Quarter Ended September 30, 2018 [Japanese GAAP] (Unaudited)



November 9, 2018

Company name: HIRANO TECSEED Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6245  
 URL: <https://www.hirano-tec.co.jp/>  
 Representative: Kaoru Okada, President and Director  
 Contact: Masashi Hara, Director and General Manager, General Affairs Division  
 Phone: +81-745-57-0681  
 Scheduled date of filing quarterly securities report: November 12, 2018  
 Scheduled date of commencing dividend payments: December 4, 2018  
 Supplemental Explanatory Materials for Quarterly Account Settlement: None  
 Explanatory Meeting for Quarterly Account Settlement to be held: None

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Second Quarter Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

|                                     | Net sales   |      | Operating income |       | Ordinary income |       | Net income attributable to owners of parent |       |
|-------------------------------------|-------------|------|------------------|-------|-----------------|-------|---|-------|
|                                     | million yen | %    | million yen      | %     | million yen     | %     | million yen                                 | %     |
| Six months ended September 30, 2018 | 13,431      | 17.8 | 1,750            | 16.4  | 1,788           | 15.7  | 1,139                                       | 7.7   |
| Six months ended September 30, 2017 | 11,404      | 81.4 | 1,503            | 199.6 | 1,545           | 205.3 | 1,057                                       | 202.8 |

(Note) Comprehensive income: Six months ended September 30, 2018: ¥1,182 million (up 1.9%)  
 Six months ended September 30, 2017: ¥1,160 million (up 233.1%)

|                                     | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
|                                     | yen                      | yen                        |
| Six months ended September 30, 2018 | 75.72                    | —                          |
| Six months ended September 30, 2017 | 70.31                    | —                          |

## (2) Consolidated Financial Position

|                          | Total assets | Net assets  | Equity ratio |
|--------------------------|--------------|-------------|--------------|
|                          | million yen  | million yen | %            |
| As of September 30, 2018 | 41,038       | 25,850      | 63.0         |
| As of March 31, 2018     | 37,445       | 24,923      | 66.6         |

(Reference) Equity: As of September 30, 2018: ¥25,850 million  
 As of March 31, 2018: ¥24,923 million

**2. Dividends**

|   | Annual dividends   |                    |                    |          |       |
|---|--------------------|--------------------|--------------------|----------|-------|
|   | 1st<br>quarter-end | 2nd<br>quarter-end | 3rd<br>quarter-end | Year-end | Total |
|   | Yen                | Yen                | Yen                | Yen      | Yen   |
| Fiscal year ended March 31, 2018                | —                  | 13.00              | —                  | 17.00    | 30.00 |
| Fiscal year ending March 31, 2019               | —                  | 18.00              |                    |          |       |
| Fiscal year ending March 31, 2019<br>(Forecast) |                    |                    | —                  | 18.00    | 36.00 |

(Note) Revisions of the most recently announced cash dividend forecast: None

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)**

(% indicates changes from the previous corresponding period.)

|           | Net sales   |      | Operating income |      | Ordinary income |      | Net income<br>attributable to owners<br>of parent |      | Basic earnings<br>per share |
|-----------|-------------|------|------------------|------|-----------------|------|---|------|-----------------------------|
|           | million yen | %    | million yen      | %    | million yen     | %    | million yen                                       | %    |                             |
| Full year | 30,000      | 44.7 | 3,950            | 35.1 | 4,000           | 34.1 | 2,800   | 34.1 | yen<br>186.12               |

(Note) Revisions of the most recently announced financial results forecast: None

## Consolidated Financial Statements

## (1) Consolidated balance sheets

(Thousands of yen)

|  | As of March 31, 2018 | As of September 30, 2018 |
|--|----------------------|--------------------------|
| <b>Assets</b>  |                      |                          |
| Current assets   |                      |                          |
| Cash and deposits                                      | 10,280,211           | 11,191,099               |
| Notes and accounts receivable - trade                  | 7,461,326            | 4,062,012                |
| Electronically recorded monetary claims<br>- operating | 1,587,838            | 987,481                  |
| Securities   | 600,000              | 5,607,978                |
| Work in process  | 8,524,989            | 10,380,343               |
| Raw materials and supplies                             | 99,808               | 101,199                  |
| Other  | 465,816              | 417,921                  |
| Allowance for doubtful accounts                        | △6,165               | △3,942                   |
| <b>Total current assets</b>                            | <b>29,013,826</b>    | <b>32,744,094</b>        |
| Non-current assets                                     |                      |                          |
| Property, plant and equipment                          | 3,959,908            | 3,895,207                |
| Intangible assets                                      | 90,283               | 85,030                   |
| Investments and other assets                           |                      |                          |
| Investment securities                                  | 3,888,774            | 3,923,191                |
| Other  | 492,356              | 391,325                  |
| <b>Total investments and other assets</b>              | <b>4,381,130</b>     | <b>4,314,517</b>         |
| <b>Total non-current assets</b>                        | <b>8,431,323</b>     | <b>8,294,754</b>         |
| <b>Total assets</b>                                    | <b>37,445,150</b>    | <b>41,038,849</b>        |

(Thousands of yen)

|   | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------|--------------------------|
| <b>Liabilities</b>                                    |                      |                          |
| Current liabilities                                   |                      |                          |
| Notes and accounts payable - trade                    | 3,564,132            | 4,294,820                |
| Electronically recorded obligations - operating       | 2,652,175            | 3,377,684                |
| Short-term loans payable                              | —                    | 50,000                   |
| Current portion of long-term loans payable            | 584,932              | 642,012                  |
| Income taxes payable                                  | 509,539              | 570,043                  |
| Advances received                                     | 3,063,444            | 3,841,768                |
| Provision for bonuses                                 | 198,050              | 204,384                  |
| Provision for product warranties                      | 67,389               | 76,906                   |
| Other   | 569,118              | 835,506                  |
| Total current liabilities                             | 11,208,782           | 13,893,125               |
| Non-current liabilities                               |                      |                          |
| Long-term loans payable                               | 649,824              | 594,778                  |
| Provision for directors' retirement benefits          | 79,470               | 71,477                   |
| Net defined benefit liability                         | 533,266              | 504,441                  |
| Asset retirement obligations                          | 14,888               | 15,038                   |
| Other   | 35,437               | 109,924                  |
| Total non-current liabilities                         | 1,312,886            | 1,295,660                |
| Total liabilities                                     | 12,521,669           | 15,188,785               |
| <b>Net assets</b>                                     |                      |                          |
| Shareholders' equity                                  |                      |                          |
| Capital stock   | 1,847,821            | 1,847,821                |
| Capital surplus                                       | 1,339,722            | 1,339,722                |
| Retained earnings                                     | 21,719,994           | 22,603,369               |
| Treasury shares                                       | △408,218             | △408,218                 |
| Total shareholders' equity                            | 24,499,320           | 25,382,696               |
| Accumulated other comprehensive income                |                      |                          |
| Valuation difference on available-for-sale securities | 621,205              | 644,568                  |
| Remeasurements of defined benefit plans               | △197,044             | △177,200                 |
| Total accumulated other comprehensive income          | 424,160              | 467,367                  |
| Total net assets                                      | 24,923,481           | 25,850,063               |
| Total liabilities and net assets                      | 37,445,150           | 41,038,849               |

(2) Consolidated statements of income and Comprehensive Income  
(Consolidated Statements of Income)

(Thousands of yen)

|  | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|--|--|--|
| Net sales                                    | 11,404,860                             | 13,431,188                             |
| Cost of sales                                | 8,986,049                              | 10,658,102                             |
| Gross profit                                 | 2,418,810                              | 2,773,085                              |
| Selling, general and administrative expenses | 915,473                                | 1,022,834                              |
| Operating profit                             | 1,503,336                              | 1,750,251                              |
| Non-operating income                         |  |  |
| Interest income                              | 3,479                                  | 1,838                                  |
| Dividend income                              | 25,292                                 | 27,452                                 |
| Other  | 29,372                                 | 22,631                                 |
| Total non-operating income                   | 58,144                                 | 51,922                                 |
| Non-operating expenses                       |  |  |
| Interest expenses                            | 4,279                                  | 4,850                                  |
| Sales discounts                              | 1,174                                  | 6,975                                  |
| Other  | 10,293                                 | 1,922                                  |
| Total non-operating expenses                 | 15,747                                 | 13,748                                 |
| Ordinary profit                              | 1,545,734                              | 1,788,425                              |
| Extraordinary income                         |  |  |
| Gain on sales of non-current assets          | —                                      | 1,025                                  |
| Total extraordinary income                   | —                                      | 1,025                                  |
| Profit before income taxes                   | 1,545,734                              | 1,789,451                              |
| Income taxes - current                       | 477,222                                | 589,075                                |
| Income taxes - deferred                      | 10,797                                 | 61,259                                 |
| Total income taxes                           | 488,020                                | 650,334                                |
| Profit                                       | 1,057,714                              | 1,139,116                              |
| Profit attributable to owners of parent      | 1,057,714                              | 1,139,116                              |

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

|  | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|--|--|--|
| Profit   | 1,057,714                              | 1,139,116                              |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 90,815                                 | 23,363                                 |
| Remeasurements of defined benefit plans, net of tax            | 12,153                                 | 19,843                                 |
| Total other comprehensive income                               | 102,969                                | 43,207                                 |
| Comprehensive income   | 1,160,683                              | 1,182,323                              |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 1,160,683                              | 1,182,323                              |
| Comprehensive income attributable to non-controlling interests | —                                      | —                                      |

## (3) Consolidated Statements of Cash Flows

(Thousands of yen)

|   | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|---|--|--|
| <b>Cash flows from operating activities</b>                         |  |  |
| Profit before income taxes  | 1,545,734                              | 1,789,451                              |
| Depreciation  | 152,837                                | 154,945                                |
| Amortization of long-term prepaid expenses                          | 6,264                                  | 10,495                                 |
| Increase (decrease) in provision for bonuses                        | 3,854                                  | 6,334                                  |
| Increase (decrease) in allowance for doubtful accounts              | △192                                   | △2,223                                 |
| Increase (decrease) in provision for directors' retirement benefits | △21,380                                | △7,993                                 |
| Increase (decrease) in provision for product warranties             | △12,385                                | 9,517                                  |
| Increase (decrease) in net defined benefit liability                | 5,352                                  | △3,735                                 |
| Interest and dividend income  | △28,772                                | △29,291                                |
| Interest expenses   | 4,279                                  | 4,850                                  |
| Loss (gain) on sales of non-current assets                          | —                                      | △637                                   |
| Loss on retirement of non-current assets                            | 2,163                                  | 35                                     |
| Decrease (increase) in notes and accounts receivable - trade        | △380,448                               | 4,777,995                              |
| Decrease (increase) in inventories                                  | △301,548                               | △1,874,429                             |
| Increase (decrease) in notes and accounts payable - trade           | △165,233                               | 1,331,309                              |
| Increase (decrease) in accounts payable - other                     | 16,291                                 | 278,749                                |
| Increase (decrease) in accrued expenses                             | △9,994                                 | △14,600                                |
| Decrease (increase) in consumption taxes refund receivable          | 245,852                                | 297,694                                |
| Increase (decrease) in accrued consumption taxes                    | 3,299                                  | 52,430                                 |
| Other, net  | △26,383                                | △189,551                               |
| Subtotal  | 1,039,590                              | 6,591,346                              |
| Interest and dividend income received                               | 28,772                                 | 29,291                                 |
| Interest expenses paid  | △4,279                                 | △4,850                                 |
| Income taxes paid   | △517,919                               | △498,548                               |
| Income taxes refund   | 1,214                                  | 2,476                                  |
| Net cash provided by (used in) operating activities                 | 547,378                                | 6,119,715                              |
| <b>Cash flows from investing activities</b>                         |  |  |
| Payments into time deposits   | △401,000                               | △1,000                                 |
| Proceeds from withdrawal of time deposits                           | 401,000                                | 1,000                                  |
| Purchase of securities  | —                                      | △300,000                               |
| Proceeds from sales of securities                                   | —                                      | 100,000                                |
| Purchase of property, plant and equipment                           | △128,365                               | △125,372                               |
| Proceeds from sales of property, plant and equipment                | 715                                    | 45,261                                 |
| Purchase of intangible assets                                       | △1,899                                 | △12,975                                |
| Purchase of investment securities                                   | △251,897                               | △2,269                                 |
| Proceeds from sales of investment securities                        | 122,337                                | 893                                    |
| Other, net  | 44,824                                 | 99,474                                 |
| Net cash provided by (used in) investing activities                 | △214,286                               | △194,988                               |

(Thousands of yen)

|   | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|---|--|--|
| <b>Cash flows from financing activities</b>                 |  |  |
| Net increase (decrease) in short-term loans payable         | 50,000                                 | 50,000                                 |
| Proceeds from long-term loans payable                       | —                                      | 320,000                                |
| Repayments of long-term loans payable                       | △320,832                               | △317,966                               |
| Purchase of treasury shares                                 | △485                                   | —                                      |
| Cash dividends paid   | △240,356                               | △255,875                               |
| Other, net  | △1,547                                 | △1,530                                 |
| Net cash provided by (used in) financing activities         | △513,221                               | △205,372                               |
| Effect of exchange rate change on cash and cash equivalents | 1,729                                  | △487                                   |
| Net increase (decrease) in cash and cash equivalents        | △178,400                               | 5,718,866                              |
| Cash and cash equivalents at beginning of period            | 11,147,110                             | 8,341,211                              |
| Cash and cash equivalents at end of period                  | 10,968,710                             | 14,060,078                             |

## Production, Orders Received, and Sales

## (1) Production

Production performance by segment for the second quarter ended September 30, 2018 is as follows

| Name of segment                  | Production<br>(Thousand yen) | Changes from the previous<br>corresponding period<br>(%) |
|----------------------------------|------------------------------|--|
| Coating and laminating machinery | 4,782,936                    | +14.5  |
| Industrial machinery             | 5,522,486                    | +34.5  |
| Others                           | 352,679                      | (49.7)   |
| Total                            | 10,658,102                   | +18.6  |

- (Notes) 1. The above amount is calculated based on production costs and includes outsourcing production.  
2. The above amount does not include consumption taxes.

## (2) Orders Received

The status of orders received by segment for the second quarter ended September 30, 2018 is as follows

| Name of segment                  | Orders received<br>(Thousand yen) | Changes from the<br>previous<br>corresponding period<br>(%) | Backlog of orders<br>(Thousand yen) | Changes from the<br>end of the previous<br>fiscal year<br>(%) |
|----------------------------------|-----------------------------------|---|-------------------------------------|---|
| Coating and laminating machinery | 4,176,032                         | (30.5)  | 16,641,370                          | (8.0)   |
| Industrial machinery             | 11,317,611                        | +26.6   | 23,836,439                          | +21.2   |
| Others                           | 906,837                           | (34.2)  | 972,189                             | +32.9   |
| Total                            | 16,400,482                        | +0.5  | 41,449,999                          | +7.7  |

- (Notes) 1. The above amount is calculated based on sales prices.  
2. The above amount does not include consumption taxes.

## (3) Sales

Sales performance by segment for the second quarter ended September 30, 2018 is as follows

| Name of segment                  | Sales<br>(Thousand yen) | Changes from the previous<br>corresponding period<br>(%) |
|----------------------------------|-------------------------|--|
| Coating and laminating machinery | 5,615,343               | +10.4  |
| Industrial machinery             | 7,149,505               | +34.8  |
| Others                           | 666,338                 | (34.3)   |
| Total                            | 13,431,188              | +17.8  |

- (Notes) 1. The above amount is calculated based on sales prices.  
2. The above amount does not include consumption taxes.