Helios techno holding

6927 Tokyo Stock Exchange First Section

9-Feb.-15

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Steady recovery in business results, with four businesses starting to come to the fore

Helios Techno Holding <6927> is a holding company formed in 2009 as a result of business integration and a business acquisition undertaken by the former PHOENIX Electric Co., Ltd. During the years of PHOENIX Electric, the company had only one business, namely the lamp business. The company has now brought in the manufacturing equipment business, the inspection equipment business and the human resource service business, and currently has four businesses. Although the lamp business and the manufacturing equipment business currently make up the bulk of earnings, future growth is likely to be supported by the high growth potential of the manufacturing equipment, inspection equipment and human resource service businesses. The lamp business also offers strong growth prospects given the opportunities to pursue synergies between the lamp business and manufacturing and inspection equipment.

The manufacturing equipment business has a large share of the market for alignment layer printing equipment, which has seen buoyant demand from makers of LCD displays used in TVs and smartphones. Furthermore, touch-screen panel manufacturing equipment has also been a strong performer. In addition to these, the company is also involved in a relocation business for used manufacturing equipment. This business resells discarded equipment from Japan and Taiwan to customers in China. Many companies shy away from dealing with China. The company has human resources who have strengths in dealing with China and it is aggressively developing its business in this area.

The company's business results have continued to recover steadily. It may take some time to return to the previous level the time of the projector boom, but all four businesses are gradually beginning to make progress, side-by-side. The volume of orders on October 31, 2015 is at a high level of ¥18,322mn, and there is a possibility that performance may improve sharply in FY3/16. However, this is only a temporary effect, and caution is required over the various risks involved in the company's businesses. Nevertheless, as the market for equipment continues to shrink in Japan and Taiwan, in China active capital expenditure is continuing, and we believe that if the company is able to use large projects like these to accumulate experience and increase the stability of the used machinery business, it could become a growth engine over the medium and long terms.

Check Point

- Operations in the lamp business, manufacturing equipment business, inspection equipment business and human resource service business
- Room for improvement in ROE, focus on whether profit margins improve
- Possibility of dividend increase in FY3/16 with earnings from major project

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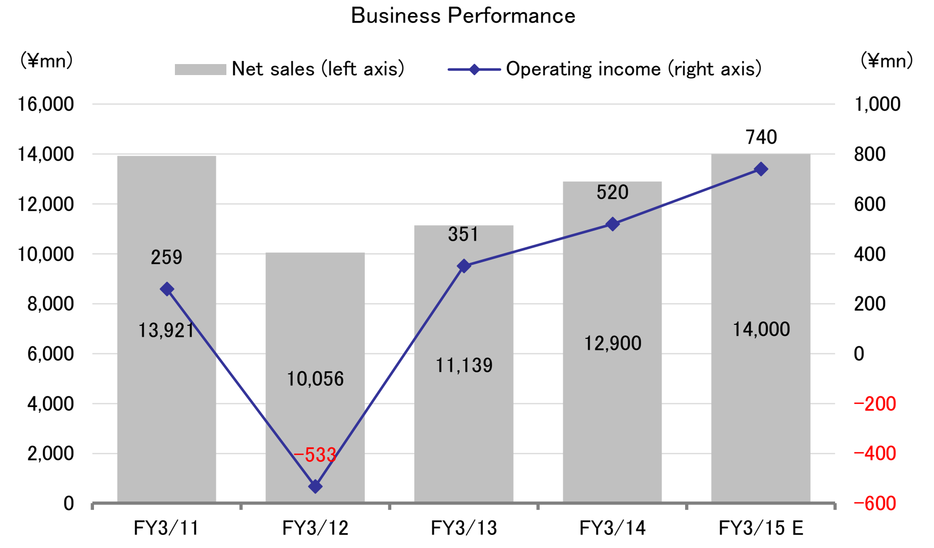

Corporate Overview

After Reorganization, Super High Voltage Mercury Lamps for Projectors Light the Way Forward

(1) History

Helios Techno's history began with the establishment of the former PHOENIX Electric Co., Ltd. PHOENIX Electric was established by engineers spun-out from USHIO INC. <6925> as a company focused on the manufacture and sale of halogen lamps for general lighting and automobiles. As the mainstream illumination at the time was incandescent lamps, few companies possessed manufacturing technology for halogen lamps, and the company steadily expanded its business scope.

However, from the late 1980s through to the mid-1990s, the appreciation of the yen in the wake of the Plaza Accord, market entry of cheap Chinese products and the anti-dumping tariffs imposed by European markets (subsequently avoided by shifting production to local sites), and other factors combined to bring about a sharp decline in business conditions. In 1995, the company was forced to file for reorganization under the Corporate Reorganization Act. Subsequently, Masaya Nakamura, founder of Namco Limited (currently BANDAI NAMCO Holdings, Inc. <7832>) became the turnaround supporter and Sadaichi Saitou was assigned from Namco to serve as the company's representative director and president (current) and start the rehabilitation.

Thereafter, the company found its way forward in the niche market of super-high-voltage mercury lamps for projectors and steadily progressed toward rehabilitation. During that time, the lamp product lineup expanded to include lamps for illumination, projectors, lithography light sources, and LED lamps.

In 2009, the company merged its management with Nippon Gijutsu Center Co., Ltd. and adopted its current name. The company itself is a pure holding company, and a new PHOENIX Electric Co., Ltd. was established. Upon this management integration, enabled by an introduction from Mr. Nakamura, the subsidiary Nakan Techno Co., Ltd. was established and received transfer of the manufacturing equipment business. These events have brought the company to its current state.

In the securities markets, the company's shares were first registered for OTC trading in 1989. The registration was removed in 1996 with the start of the reorganization proceedings, but in December 2002 it relisted on the JASDAQ market (currently the TSE JASDAQ market). In April 2005, the company was listed on the Second Section of the Tokyo Stock Exchange, and in May 2006 it was re-designated for the First Section of the Tokyo Stock Exchange, its current position.

History

October 1976	Phoenix Electric Co., Ltd. was established and started manufacture and sales of halogen lamps for general illumination
January 1981	Started production and sales of halogen lamps (mainly H4 lamps) for automobiles
December 1989	Shares listed on the OTC market of the Japan Securities Dealers Association
January 1992	Started manufacturing short-arc metal halide lamps
November 1995	Applied for corporate reorganization under the Corporate Reorganization Act
December 1995	Acquired all the shares of Lux Co. (consolidated subsidiary)
April 1996	Corporate reorganization procedure commencement approved
May 1996	Removed registration from OTC market of the Japan Securities Dealers Association
July 1998	Completed corporate reorganization procedure
March 2000	Started production and sale of super high voltage mercury lamps for projectors
December 2002	Listed on the JASDAQ market
January 2003	Started production and sale of super high voltage mercury lamps for lamp-type rear projection TVs
April 2005	Listed on Second Section of the Tokyo Stock Exchange
May 2006	Listed on First Section of the Tokyo Stock Exchange
August 2007	Developed "Multi-Lamp System" for photolithography light source unit, and started sales
October 2008	Started production and sale of LED lamp with reflector (Rleds)
April 2009	Changed name to Helios Techno Holding Co., Ltd. Management integration with Nippon Gijutsu Center Co., Ltd. Established (new) Phoenix Electric Co., Ltd. through a corporate split
July 2009	Established Nakan Techno Co., Ltd. and received transfer of the manufacturing equipment business from NAKAN Corporation.

Operations in the Lamp Business, Manufacturing Equipment Business, Inspection Equipment Business, and Human Resource Service Business

(2) Operational overview

The company itself is a pure holding company, under which it has five consolidated subsidiaries. These include the following three main companies: PHOENIX Electric, which operates the lamp business, Nippon Gijutsu Center, which operates the human resource service business, and Nakan Techno, which is involved in the manufacturing equipment business. The companies businesses comprise four business segments: the lamp business, the manufacturing equipment business, the inspection equipment business, and the human resource service business. The relationships between each consolidated subsidiary and each business segment are shown below.

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Division of Group Companies and Business Segments

Company	History	Principle products and services	Business segment allocation
Helios Techno Holding	Changed name in 2009 from the former PHOENIX Electric established in 1976.	Complete holding company	–
(New) PHOENIX Electric	Established in April 2009 through a corporate split of Helios Techno Holding.	Lamps for various applications (projectors, automobiles, illumination, LED lamps, photolithography equipment).	Lamp business
Nippon Gijutsu Center	Established in 1967. Started with development and manufacture of industrial equipment and developed into human resource dispatch services. Merged with KANSAI GIKEN Co., Ltd. in 2013.	Industrial equipment (such as inspection equipment), design business, IT business, technician dispatch and human resource services.	Inspection equipment business, human resource service business
Nakan Techno	Established in 1937 as Nakanishi Tekkojo Co., Ltd. Started from manufacture of printing machinery, developed into LCD alignment layer coating equipment.	Various printing equipment, LCD alignment layer coating equipment, touch-screen panel manufacturing equipment.	Manufacturing equipment business
Lux	Established in 1991 as a sales company of PHOENIX Electric.	Sale of PHOENIX Electric products and various products of major Japanese lighting manufacturers, maintenance operations	Lamp business
Techno Provider Co., Ltd.	Made a wholly owned subsidiary in October 2013.	Human resource services, home nursing care services, Daytime nursing care services	Human resource service business

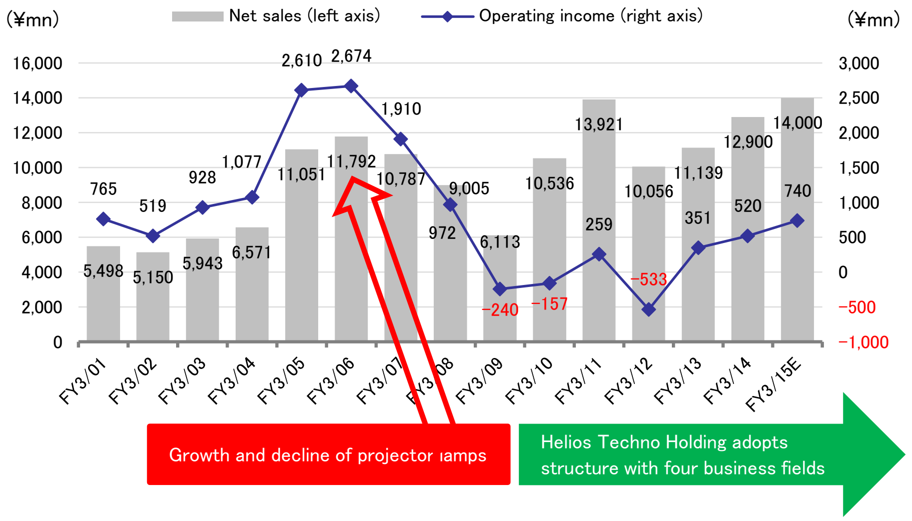
Note: Techno Provider became a subsidiary of Nippon Gijutsu Center in February 2014.

After the completion of corporate rehabilitation, the company experienced some extremely dynamic business environment changes before arriving at the current business structure. During the days of the former PHOENIX Electric, the company basically operated just the lamp business. The main focus was on lamps for projectors, with other applications including halogen lamps for general illumination, halogen lamps for automobiles, and metal halide lamps for general illumination.

From around 2004, the projector lamp business grew rapidly as compact, cheap, high resolution, high brightness projectors became a hit product, especially in North America. In FY3/05, sales of projector lamps increased 1.7 times from the previous fiscal year, and operating income shot up 2.4 times. However, the expansion of the projector market set off a sharp decline in prices, and the yen's appreciation caused the company to lose market share. From a peak in FY3/06, both sales and profits of the company fell sharply.

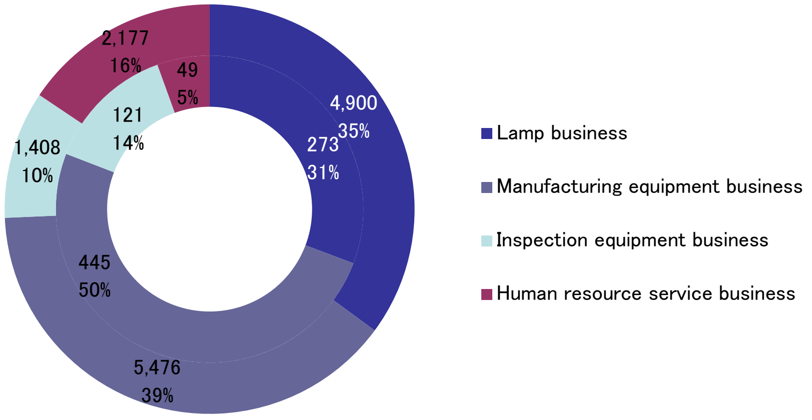
As noted above, in 2009, the company has had its current four business fields since FY3/10 as a result of its management integration with Nippon Gijutsu Center and Nakan Techno in 2009. Although net sales have now surpassed their past peak, profits are still substantially lower than their past peak, and currently on the way to recovering. This is due to the effect of a decline in projector lamp prices to around one tenth of their peak price. The recent depreciation of the yen is supporting a gradual recovery in sales and profits, although it will not be possible to regain past earnings levels. We believe that each of the business segments has the potential to achieve an operating income margin of around 10%, and the company itself is currently working to improve its overall margin.

Business Structure Changes and Long Term Earnings Trends



Looking at the actual results for FY3/14 with net sales and operating income broken down by business segment, the lamp business operated by PHOENIX Electric and the manufacturing equipment business operated by Nakan Techno comprise the major part, while the human resource service business is driving earnings expansion. Moreover, the manufacturing equipment business is also beginning to play the central role in the company's earnings, and holds the greatest potential for the future.

Net Sales and Operating Income by Business Segment
(Based on Actual Results for FY3/14)



Note: The outside ring represents net sales, and the inside ring operating income.
Both net sales and operating income are broken down from non-adjusted figures.

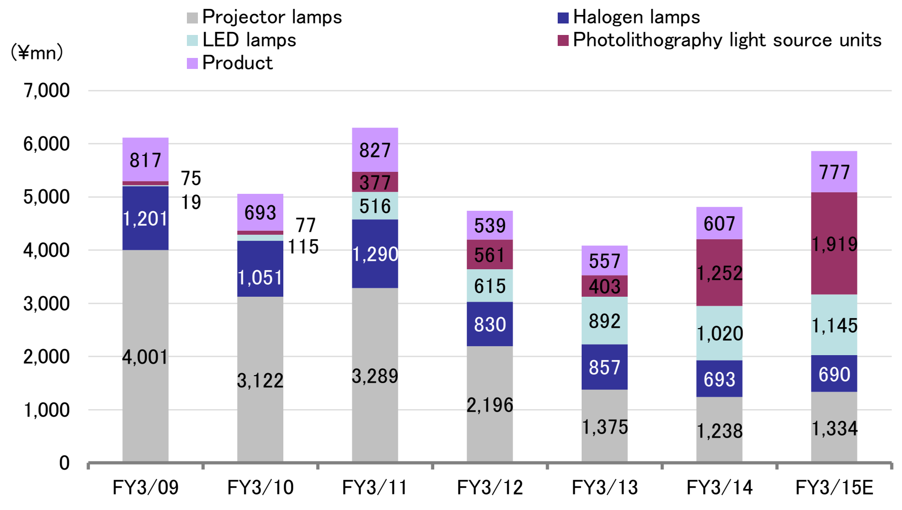
Details of Business Segments

Lamp Business Looks to Light Source Units for Photolithography Equipment

(1) Lamp business

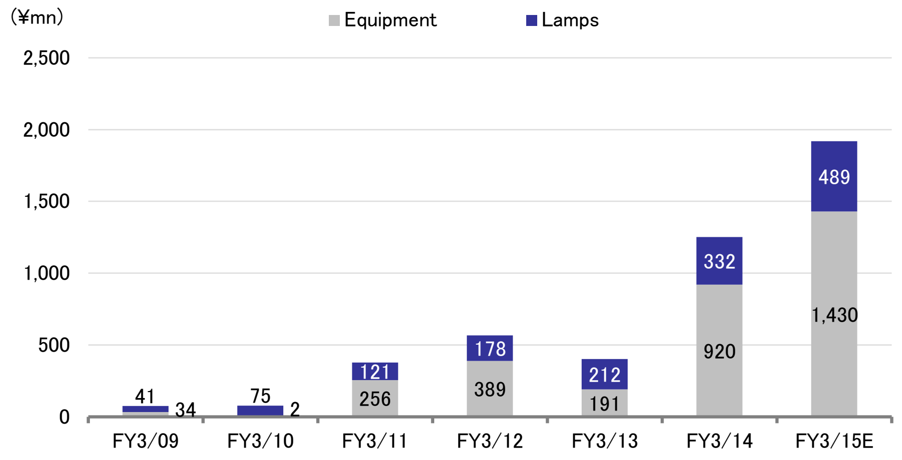
A breakdown of the lamp business by type is presented in the graph below. The company manufactures four types of product in-house, as well as selling products procured from other companies. Projector lamps have declined dramatically from their past heights, and it is clear that units for photolithography equipment and LED lamps have been growing to fill the gap.

Lamp Sales by Type



In the lamp business, the company is looking to light source units for photolithography equipment to drive future growth. These are used in photolithography equipment for manufacturing the color filters that are a key component of LCD panels. The company not only sells lamps to serve as light sources, but also assembles light source units incorporating multiple lamps for supply to photolithography equipment manufacturers. The company mainly supplies major companies in this field, but is also progressing on business talks regarding supplying photolithography light source units to other manufacturers. Moreover, since the lamps have a limited service life, as the number of installed photolithography units builds up, sales of lamps for maintenance and repair are also growing steadily. Currently, total shipments of lamp units appear to be divided approximately in halves between units for the manufacture of new equipment and units for maintenance and repair of existing equipment.

Sales of Light Source Units for Photolithography Equipment



The LED lamp business is also expected to grow going forward. There is an ongoing move to replace conventional lamps with LEDs in the field of illumination in general, including incandescent, fluorescent, and mercury lamps. The company has been working on product development in line with this trend. The company focuses on niche markets where there is little competition. Specific fields include illumination for high ceilings and signboards. The company also appears to be achieving strong sales with products that replace 1,000 W class mercury lamps used in golf driving ranges and compact fluorescent lamps used for general illumination. The company sources LED chips externally, and it will therefore be difficult for it to increase profitability compared with the days when its main products were halogen lamps and metal halide lamps. A key point to watch is whether the company will be able to increase its profit margin through measures such as utilizing its expertise as a dedicated lamp manufacturer to specialize in product types for markets that have few competitors and allow advantageous price setting.

With projector lamp prices falling to less than one tenth of their former level and demand for new projectors having apparently run its course, it is difficult to see significant growth in this sector. On the other hand, however, there is also little possibility of demand falling in the future either. This is because projection-type projectors are widely used in business and other settings. Moreover, companies dealing in projector lamps other than Helios Techno Holding are few, such as Koninklijke Philips N.V. of the Netherlands, ORSAM GmbH of Germany, and USHIO. The market itself is by no means large, but we see the lamp business continuing to be an important support for the company's earnings base going forward, especially with the effect of the yen's depreciation.

There is one element in the future outlook that offers potential for a positive outcome. Up until now, the company has manufactured projector lamps for DC-type projectors to avoid infringing on Philips's patents. However, these patents are about to expire, and the company plans to begin manufacturing products for AC-type projectors also. This will lead to a genuine expansion in business opportunities for the company, and is therefore a positive factor.

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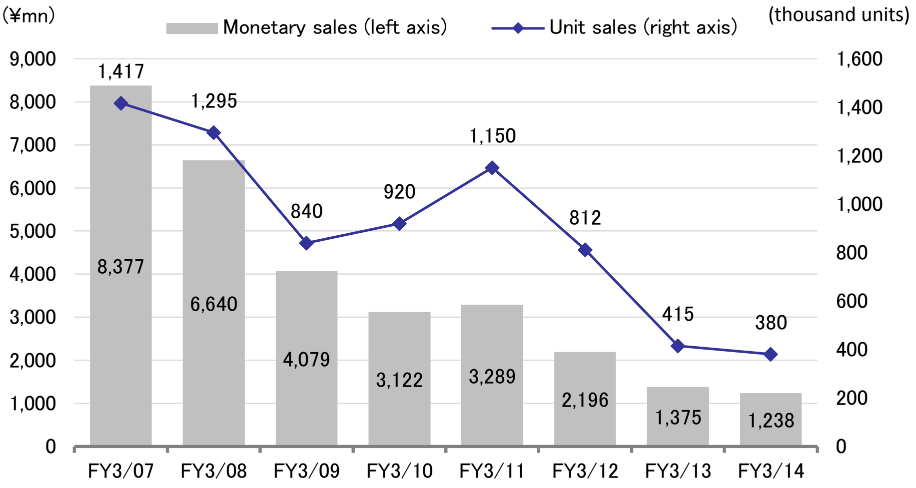
Sales and Unit Sales of Projector Lamps

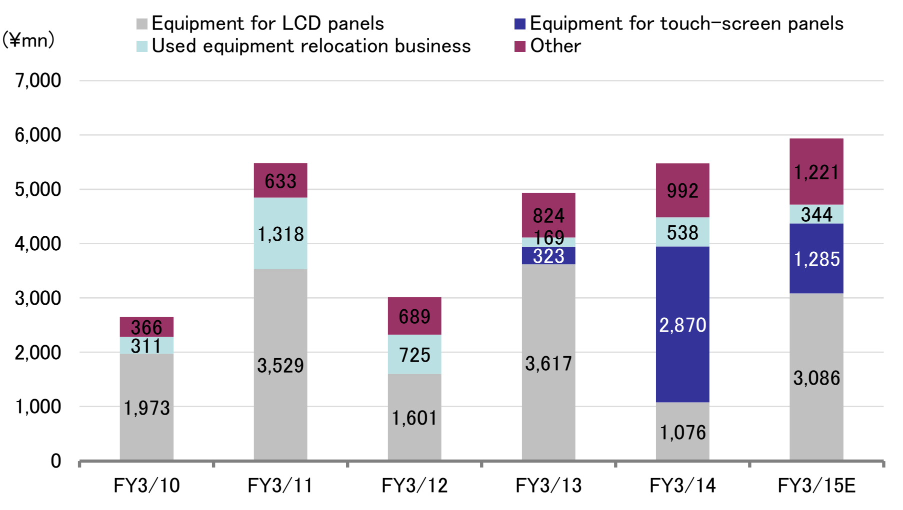


Manufacturing Printing Equipment for LCD and Touch-Screen Panels, and Starting the Used Equipment Business

(2) Manufacturing Equipment Business

The manufacturing equipment business is handled by Nakan Techno. This company deals specifically with printing equipment products; however, they are specialized in that they are made not for the printing industry per se, but for LCD and touch-screen panel manufacturers.

Sales by Product in the Manufacturing Equipment Business



Equipment for LCD panels is specifically alignment layer printing equipment. Nakan Techno supplies manufacturing equipment that uses flexo printing technology. It has virtually a 100% market share in flexo printing-type equipment. There are also ink-jet printing alignment layer printing units in this field, but with their respective advantages and disadvantages, flexo printing appears to have advantages for LCDs up to glass sizes of around generation 8.5.

For touch-screen panels, the company has mobilized its entire arsenal of ink jet, gravure offset, and flexo printing technologies to provide equipment for the various processes of touch-screen panel manufacturing. The main advantages of the company's equipment is that it reduces the number of processes, reduces material usage (ink), alleviates environmental impact (reduces chemical disposal processing costs), and so forth. The company has used these advantages as entry points for expanding sales.

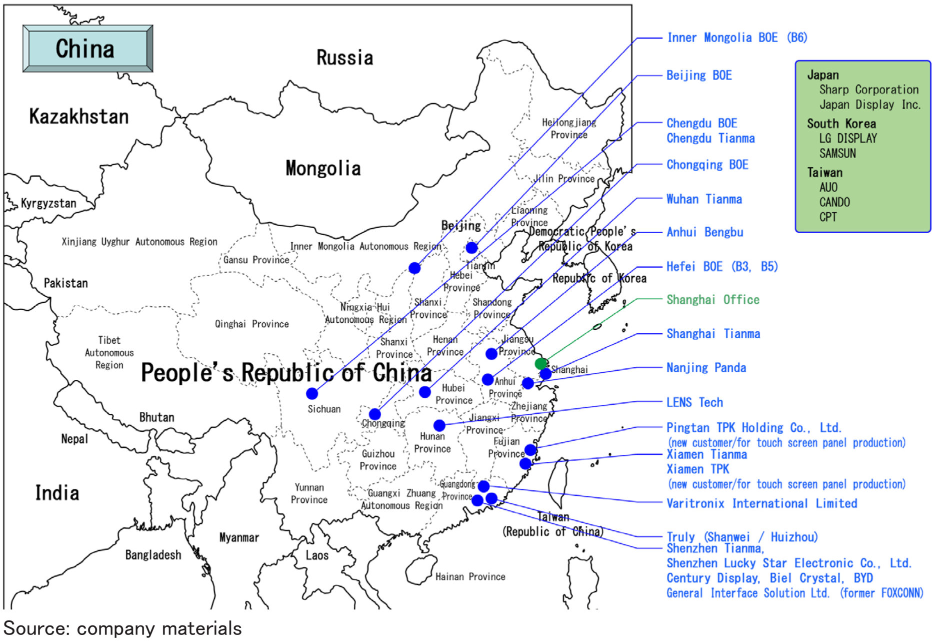
Proposing Helios Techno's Technologies to the Touch-Screen Panel Manufacturing Equipment Market

Manufacturing process	Conventional method	New method proposed by Helios Techno (Developed by Nakan Techno)
Black mask	Screen printing	Ink jet printing
Overcoat 1 (insulating layer)	Photo lithography	Ink jet printing
Metal trace	PVD -> Photolithography -> Etching	Gravure offset printing
Overcoat 2 (insulating layer)	Photolithography	Flexo printing

Another activity in the manufacturing equipment business is relocation of used manufacturing equipment. Specifically, the company purchases used equipment from Japan and Taiwan, including LCD manufacturing lines and equipment for manufacturing LCDs and touch-screen panels for smartphones, and sells it, mainly to Chinese manufacturers. The company undertakes not only sales of equipment, but also relocation, so this business carries a fair amount of risk. Moreover, when dealing with Chinese operators, problems often arise in collecting payment. Given this situation, while it is recognized that sales of used equipment to China present many business opportunities, there are very few operators that are actually conducting this business.

The company has been carrying out the used equipment relocation business since the launch of Nakan Techno in 2009. The reason the company started this business was because Nakan Techno representative director and president Yoshihisa Sato has a strong personal network in China. Currently, the company has many trading partners within China, and has captured large orders.

Main Trading Partners in China



Source: company materials

In the manufacturing equipment business, it is important to note there are significant annual revenue fluctuations influenced by customers' capital expenditure cycles, and that there is a risk of delay in the timing for acceptance inspections in the used equipment relocation business. Furthermore, it is worth noting although payment collection risk is relatively high in this business, there have been no recovery failures to date. Moreover, in the medium to long term, it is possible that the company will require large R&D investments to keep up with the progress in technology. The company's basic strategy is not to target the most advanced fields, but to compete in niche markets using its existing technologies. However, it is also eyeing strategic alliances with other companies, including capital alliances. It is also important to note that if the company's technological advancement were to stall, there is a possibility that it could lose its market overnight.

Inspection Equipment to Pursue Synergies with Manufacturing Equipment

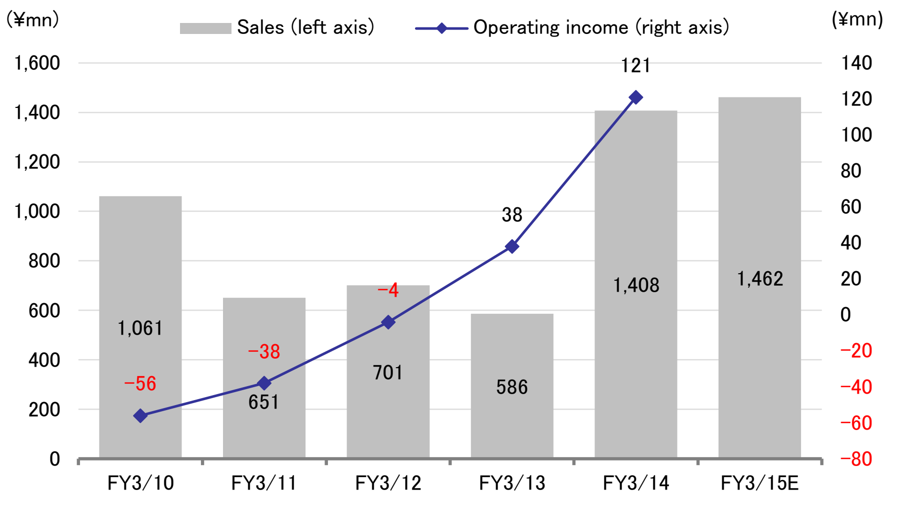
(3) Inspection Equipment Business

The inspection equipment business is operated by Nippon Gijutsu Center. This company conducts technician dispatch operations and develops, manufactures, and sells inspection and measuring equipment in response to orders from customers.

Recently in the inspection equipment business the company is pursuing synergies with the manufacturing equipment business. That is to say, the manufacturing equipment business is gradually shifting its focus from equipment for LCDs to equipment for touch screen panels. The company is responding to this call by strengthening its external appearance inspection equipment for touch screen panels. Several inspection operations are involved in the touch screen panel manufacturing process, and the company has already developed and supplied an automatic external appearance inspection unit for checking wiring. In addition, the company is currently developing a final process external appearance inspection unit for large sheets.

The inspection equipment business needs to address low profitability. In FY3/13 and FY3/14, the company achieved an operating profit; however, the level is still low. Moreover, the business also incurs development expenses and so forth. It is important to monitor this business closely to see whether it can secure stable profits.

Earnings in the Inspection Equipment Business



Personnel Dispatch Business Has Low Yet Steady Profitability

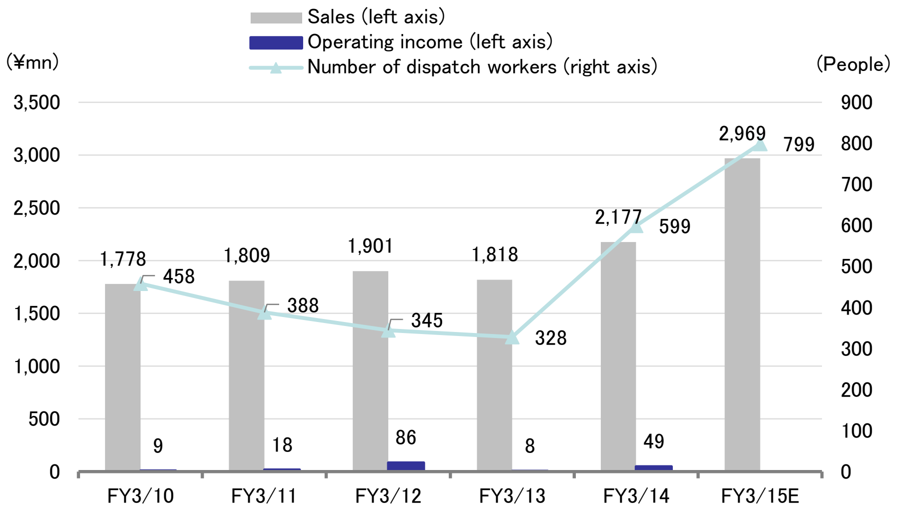
(4) Human Resource Service Business

The human resource service business is operated by Nippon Gijutsu Center and Techno Provider. The business basically involves design subcontracting, dispatch of equipment manufacturing engineers and dispatch of temporary staff. Techno Provider also conducts some nursing care services.

Nippon Gijutsu Center made Kansai Giken a subsidiary in May 2013, and absorbed it by merger in October of the same year. Kansai Giken was also mainly involved in engineer dispatch and machinery design operations. Both companies had a strong affinity, and it was judged that synergies would be easily achieved. Techno Provider became a wholly owned subsidiary of Helios Techno in October 2013. Techno Provider is based in the Kansai region and conducts temporary staff dispatch operations as well as at-home nursing care services.

The human resource service business is by no means a highly profitable one; however, it produces steady profits. For the time being, the company is focusing on enhancing the business management framework and other internal improvements. However, once these are complete it intends to expand its business scope through M&As and aggressively secure dispatch workers.

Human Resource Service Business Trends



Financial Analysis and Performance Trends

Room for Improvement in ROE, Focus On Whether Profit Margins Improve

(1) Financial Analysis

The company achieved a high return on equity (ROE) of 13.1% in FY3/14. However, this was due to net income being elevated by extraordinary income and tax effects. With the elimination of these special factors in FY3/15, the balance of ordinary income and net income is expected to return to normal, and on this basis the company has estimated its ROE for FY3/15 at 5.4%.

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This ROE figure is lower than the average for a Japanese corporation, and there is significant room for improvement. Looking further into the situation, the low level of the ROE is clearly related to the company's low net income margin. Looking further up the income statement, the forecast operating income margin for FY3/15 is only 5.2%. This is the difference between the gross profit margin of 27.0% and the SG&A margin of 21.8%. During its time as a lamp specialist, the company achieved an average profit margin of over 30% and an SG&A margin of less than 20%. If these ratios can be improved, then ROE can also be expected to improve.

Financial Analysis

			FY3/11	FY3/12	FY3/13	FY3/14	FY3/15 E
Main Items	Net sales	(¥mn)	13,921	10,056	11,139	12,900	14,000
	SG&A expenses	(¥mn)	2,787	2,488	2,443	2,807	3,046
	Operating income	(¥mn)	259	-533	351	520	740
	Ordinary income	(¥mn)	470	-315	431	621	650
	Net income	(¥mn)	360	-1,256	443	889	400
	Total assets	(¥mn)	11,516	9,246	9,131	10,774	10,764
	Net assets	(¥mn)	7,200	5,850	6,340	7,261	7,433
Profitability and efficiency	Return on equity	%	4.7%	-19.2%	7.3%	13.1%	5.4%
	Return on assets	%	3.9%	-3.0%	4.7%	6.2%	6.0%
	Net income margin	%	2.6%	-12.5%	4.0%	6.9%	2.9%
	Total assets/equity	Times	1.60	1.58	1.44	1.48	1.44
	Asset turnover rate	Times/year	1.21	1.09	1.22	1.20	1.30
	Ordinary income margin	%	3.4%	-3.1%	3.9%	4.8%	4.6%
	Gross profit margin	%	21.9%	19.4%	25.1%	25.8%	27.0%
	SG&A margin	%	20.0%	24.7%	21.9%	21.8%	21.8%
	Net income margin	%	1.9%	-5.3%	3.2%	4.0%	5.3%
Growth	Net sales	%	32.1	-27.8	10.8	15.8	8.5%
	Operating income	%	-	-	-	48.1	42.3%
	Ordinary income	%	-	-	-	43.9	4.5%
	Net income	%	-	-	-	100.5	-55.0%
Per share data	EPS	¥	19.33	-75.95	26.82	53.10	23.72
	Dividends	¥	5.5	0.0	8.0	10.0	10.0
	Net assets	¥	435.13	353.58	381.81	427.63	-

Net Sales for 1H FY3/15 Were Affected by Shifting the Recording of a Large Transaction to 2H, Profits Exceeded Forecasts

(2) Financial Results for 1H FY3/15

In the company's financial results for 1H FY3/15 (April to September 2014), net sales were ¥5,604mn, up 6.3% year-on-year (YoY), operating income was ¥125mn, down 28.8% YoY, ordinary income was ¥89mn, down 57.4% YoY, and net income was ¥191, down 46.6% YoY. The company revised its business forecasts ahead of its financial results announcement. Compared to its initial plan, net sales did not reach ¥695mn, but profits all exceeded their respective initial targets for operating income of ¥45mn, ordinary income of ¥42mn, and net income of ¥168mn.

Net sales were lower than planned due to shifting the recording of a large transaction for manufacturing equipment to 2H. On the other hand, profits exceeded initial plans, helped in part by a decline in the cost of sales for inspection equipment and strong performance from Techno Provider.

FY3/16 May See a Large Transaction Recorded

(3) Consideration of Performance in FY3/15 and from FY3/16 Onward

Full-year forecasts for FY3/15 are unchanged from initial forecasts for net sales of ¥14,000mn, up 8.5% YoY, operating income of ¥740mn, up 42.3% YoY, ordinary income of ¥650mn, up 4.5% YoY, and net income of ¥400mn, down 55.0% YoY.

In addition to the shift in the recording of a large transaction for manufacturing equipment from 1H to 2H, the lamp business and the human resource service business have continued to perform stably in 1H. As a result, there is little likelihood of a major fluctuation in business results for FY3/15.

The company's performance in FY3/16 will be of greater interest. Looking at the balance sheet for 1H FY3/15, inventory assets increased by ¥5,805mn since the end of FY3/14. In the liabilities section by comparison, long-term borrowings and advances received have increased, but this relates to a large order received for used manufacturing equipment. This seems likely to be recorded as sales in FY3/16, which could cause a significant fluctuation in the company's business results.

It is important to bear in mind that this large transaction is an exception, and is not an order that the company can receive continuously. Moreover, being a large transaction, there is a high risk of the revenue being recorded in another period, as we have just seen in 1H. Finally, since the business is dealing with China, it is necessary to monitor the situation closely as regards collection of payment.

If this large transaction can be safely completed, the company's expansion of business scope in the used manufacturing relocation business will gain further momentum. Currently, the business is mainly related to LCD displays. However, with changes in products and advances in technology, such as touch screen panels and organic EL, the movement in supply and demand surrounding used equipment is expected to continue. We believe this could become a growth engine for the company.

Summary Income Statement and Main Indicators

(¥mn)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15 1H	FY3/15 Full-year (E)
Net sales	10,536	13,921	10,056	11,139	12,900	5,604	14,000
YoY	72.4%	32.1%	-27.8%	10.8%	15.8%		8.5%
Gross profit	2,318	3,046	1,954	2,794	3,327	1,573	-
Gross profit margin	22.0%	21.9%	19.4%	25.1%	25.8%	28.1%	-
SG&A expenses	2,476	2,787	2,488	2,443	2,807	1,447	-
SG&A margin	23.5%	20.0%	24.7%	21.9%	21.8%	25.8%	-
Operating income	-157	259	-533	351	520	125	740
Operating income margin	-1.5%	1.9%	-5.3%	3.2%	4.0%	2.2%	5.3%
YoY	-	-	-	-	48.1%	-29.0%	42.3%
Ordinary income	-20	470	-315	431	621	89	650
YoY	-	-	-	-	44.1%	-57.4%	4.7%
Net income	-314	360	-1,256	443	889	191	400
YoY	-	-	-	-	100.7%	-46.6%	-55.0%
EPS (¥)	-14.32	19.33	-75.95	26.82	53.10	11.3	23.72
Dividend (¥)	2.0	5.5	0.0	8.0	10.0	0.0	10.0
Net assets per share (¥)	372.30	435.13	353.58	381.81	427.63		-

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Summary Balance Sheet

(¥mn)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	1H FY3/15
Current assets	7,998	6,785	6,051	6,081	7,967	12,798
Cash and deposits with banks	2,999	1,617	1,638	1,632	2,663	2,103
Notes and accounts receivable	2,300	2,841	2,808	2,794	3,330	2,717
Inventory assets	2,024	1,790	1,373	1,548	1,610	7,414
Others	674	535	230	105	363	561
Fixed assets	4,842	4,731	3,195	3,049	2,807	2,730
Fixed assets	3,809	3,686	2,680	2,602	2,193	2,140
Intangible assets	306	277	243	150	162	157
Investments and other assets	726	767	272	296	451	432
Total assets	12,841	11,516	9,246	9,131	10,774	15,528
Current liabilities	3,069	2,605	2,567	2,141	2,824	7,229
Notes and accounts payable	933	1,162	751	910	1,420	1,177
Short-term borrowings	269	254	1,072	439	538	3,779
Others	1,866	1,187	743	791	865	2,271
Long-term liabilities	1,540	1,711	828	649	688	955
Long-term borrowings	413	796	237	268	457	764
Others	1,126	914	590	380	231	191
Shareholders' equity	8,219	7,195	5,847	6,291	7,124	7,233
Common stock	2,133	2,133	2,133	2,133	2,133	2,133
Capital surplus	2,563	2,563	2,563	2,563	2,563	2,563
Retained earnings	3,770	4,065	2,718	3,161	3,915	3,918
Treasury stock	-248	-1,567	-1,567	-1,567	-1,488	-1,382
Accumulated other comprehensive income	11	4	3	26	86	72
Minority interests	0	0	0	0	0	0
Subscription rights to shares	0	0	0	22	50	38
Total net assets	8,231	7,200	5,850	6,340	7,261	7,344
Total liabilities and net assets	12,841	11,516	9,246	9,131	10,774	15,528

Cash flow statement

(¥mn)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	1H FY3/15
Cash flows from operating activities	817	189	84	840	747	-4,041
Cash flows from investing activities	-184	-206	-166	-234	144	58
Cash flows from financing activities	-193	-1,074	93	-629	79	3,445
Adjustments to cash and cash equivalents	-1	-1	0	0	30	0
Net increase (decrease) in cash and cash equivalents	439	-1,092	11	-23	1,000	-538
Cash and cash equivalents at beginning of period	2,250	2,689	1,597	1,608	1,585	2,585
Cash and cash equivalents at end of period	2,689	1,597	1,608	1,585	2,585	2,047

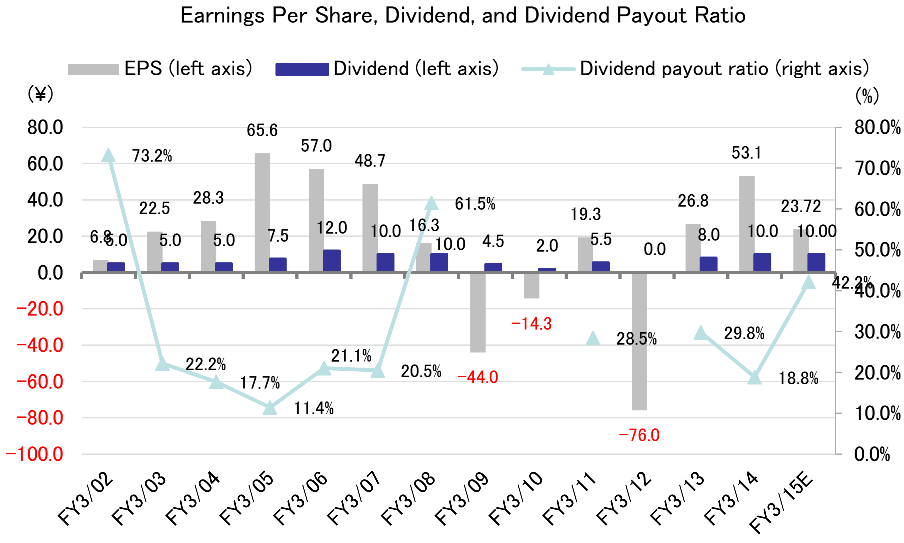
Shareholder Returns

Possibility of Dividend Increase in FY3/16 with Earnings from Major Project

The company's basic method of returning profits to shareholders is through dividends. The company has not announced an official level for dividends. However, looking at past dividends, it is clear that the company has basically paid a stable dividend, increasing it in line with profit growth. On the other hand, at times when the company has made a loss, it has been obliged to reduce the dividend or not pay one.

Earnings per share for FY3/15 will decline in the absence of special factors, however the company's main business is performing steadily in terms of net sales and operating income, and the company plans to pay a dividend of ¥10—the same level as the previous year. In FY3/16, the above mentioned large order may elevate earnings temporarily. Based on the company's past record, expectations for a dividend increase may well rise.

■Shareholder Returns



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