FISCO

Company Research and Analysis Report
FISCO Ltd.
http://www.fisco.co.jp

Helios techno holding

6927 Tokyo Stock Exchange First Section

16-Oct.-15

Important disclosures and disclaimers appear at the end of this document.

FISCO Ltd. Analyst
Hiroyuki Asakawa

Develops Operations in the Four Platforms of the Lamp Business, Manufacturing Equipment Business, Inspection Equipment Business, and Human Resource Service Business

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. It is now a pure holding company following a corporate split. The company has now four businesses namely the lamp business, the manufacturing equipment business, the inspection equipment business and the human resource service business.

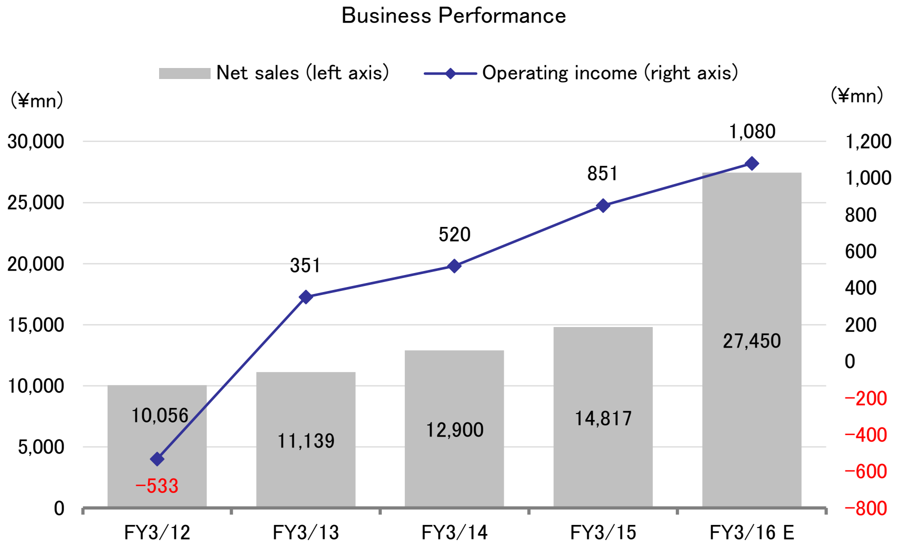
During FY3/15, the company made an upward revision to its forecast, but actual results exceeded even this. However, caution is required for the results outlook from FY3/16 onward. Net sales for FY3/16 are forecast to increase by 85.3% to ¥27,450mn. This is due to a planned booking of a single, large-scale project of ¥11,700mn. It goes without saying that the response will be a high likelihood of a significant decline in FY3/17. However, the situation from the profit perspective is different, with the aforementioned large-scale project seen to contribute only ¥100mn to ¥200mn to profits. We expect there is a high likelihood the company will maintain its trend to increase profits through FY3/17.

The large-scale project is being sold to a Chinese company, so there are concerns about a variety of business risks, including whether payment can be recovered. In regard to this point, discussions with the company have showed that approximately 80% of the payment has already been recovered (as of May 2015) and the payment schedule for the remaining roughly 20% has been decided, which removed any anxiety about recovery of payment going forward.

The company has a certain presence in markets with limited participants including those for light source for photolithography equipment and second-hand manufacturing equipment sales to China. In recent years, a potential new source of earnings has arisen for maintenance of previously delivered manufacturing equipment and increased demand for remodeling. Moreover, through expanded scale and management efficiency resulting from M&A in the human resource service business, the company has nurtured a stable earnings source. Should awareness among investors spread about the company's unique business fields combined with improvements in the stability of its earnings, it can be expected to raise the assessment standard of its share price evaluation.

Check Point

- Currently, there is a high likelihood of earnings centering on the manufacturing equipment business
- Helios Techno Holding's performance in FY3/15 exceeded projections
- Basically paying a stable dividend that increases in line with profit



Business Performance

Currently, there is a high likelihood of earnings centering on the manufacturing equipment business

Corporate Overview

(1) History

Helios Techno arose from PHOENIX Electric Co., Ltd., which had been established in 1976 by engineers spun-out from USHIO INC. <6925>. Initially, the company was involved in the manufacture and sale of halogen lamps for general lighting on the back of demand for replacement of the mainstream incandescent lamps, the company steadily expanded its business.

However, from the late 1980s, the appreciation of the yen in the wake of the Plaza Accord rapidly squeezed the profits out of exports. In addition, market entry of cheap Chinese products and the anti-dumping tariffs imposed by European markets, 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.

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. 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.
October 2013	Made Techno Provider Co., Ltd. a wholly owned subsidiary
April 2015	Nippon Gijutsu Center Co., Ltd. absorbed Techno Provider Co., Ltd. in a merger

(2) Operational overview

The company itself is a pure holding company, under which it has four consolidated subsidiaries. These include the following three core 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.

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

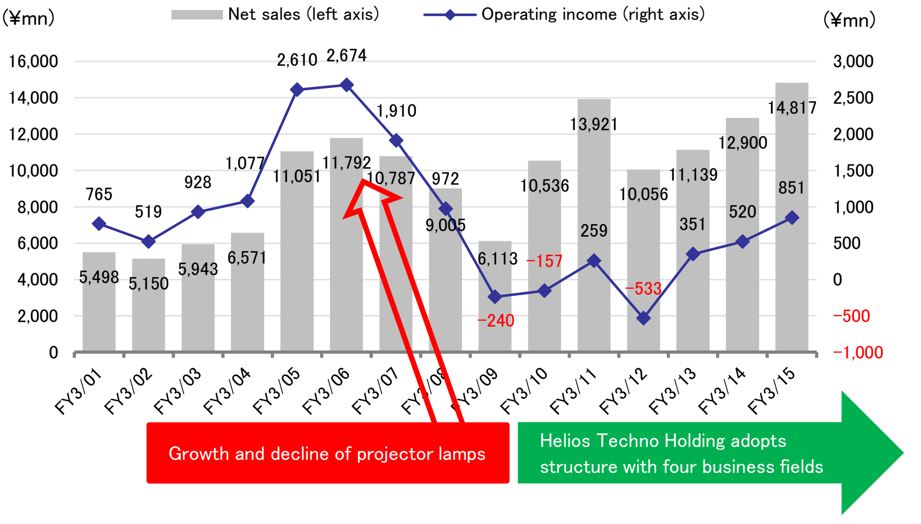
Note: Techno Provider became a subsidiary of Nippon Gijutsu Center in February 2014.

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 (so-called mercury 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 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, the company's results fell sharply.

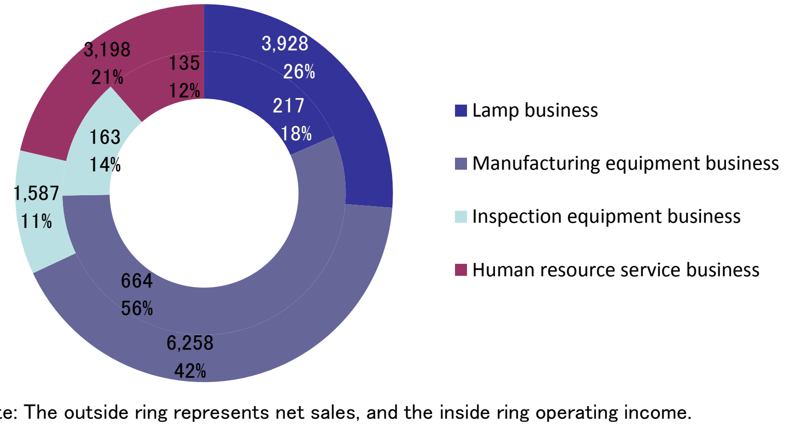
As noted above, in 2009, the company has had its current four business platforms since FY3/10 as a result of its management integration with Nippon Gijutsu Center and Nakan Techno in 2009. Although net sales have now surpassed their past peak, profits are still substantially lower than their past peak, 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 continual 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 FY3/15 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 are driving earnings. Currently in particular, the manufacturing equipment business is 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 FY3/15)



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.

FISCO

Helios techno holding

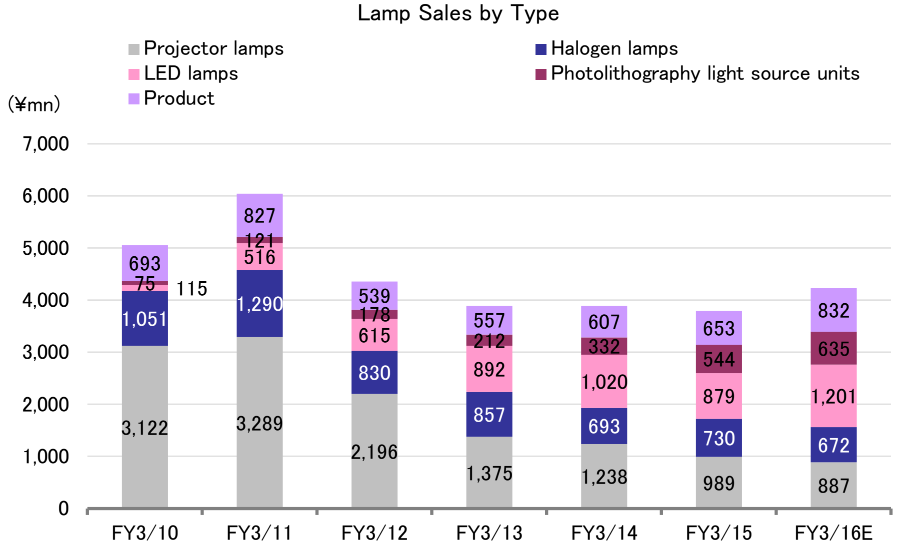
6927 Tokyo Stock Exchange First Section

16-Oct.-15

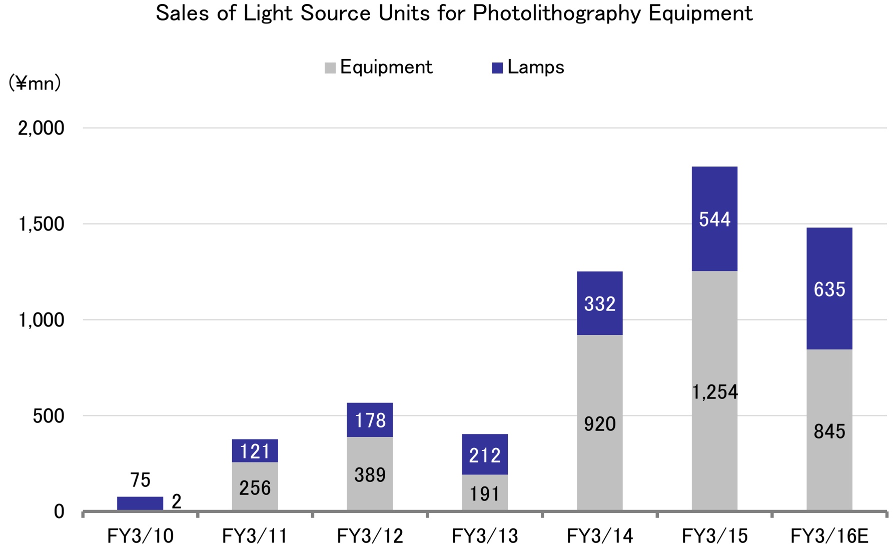
Details of Business Segments

(1) Lamp Business

The lamp business is the company's foundation business and is being conducted by the two companies of PHOENIX Electric Co., Ltd. and Lux Co. Currently, products are divided into the five product types of lamps for projectors, halogen lamps, LED lamps, light source for photolithography equipment and products. Light sources for photolithography equipment traded under the name of light source units for photolithography equipment until FY3/14 and included units combining the light source itself and the light source housing, but from FY3/15 onward the light sources alone have been part of the lamp business and the housing was shifted to the inspection equipment business referred to below. This is thought to be the result of having arranged the light source units to the fact that they were being manufactured by Nippon Gijutsu Center, which handles the inspection equipment business.



Light sources for photolithography equipment (Multi-Lamp System, MLS) are expected to be a long-term contributor to earnings. These are used with LCD color filter manufacturing equipment and delivered to major manufacturing equipment manufacturers as light sources (mainly for supplementary use) or as units with housing (mainly for new equipment). MLS manufacturers are in an oligopolistic system with just the company and one other company involved and the manufacturing equipment manufacturers are also in an oligopolistic system of two companies, with the companies involved pairing up. The company is paired with a partner that is close to being a new entry into the market, but has a large share of part of the LCD manufacturing process and the plan is to use synergies with the business to grow the manufacturing equipment business.



FISCO

Helios techno holding
6927 Tokyo Stock Exchange First Section

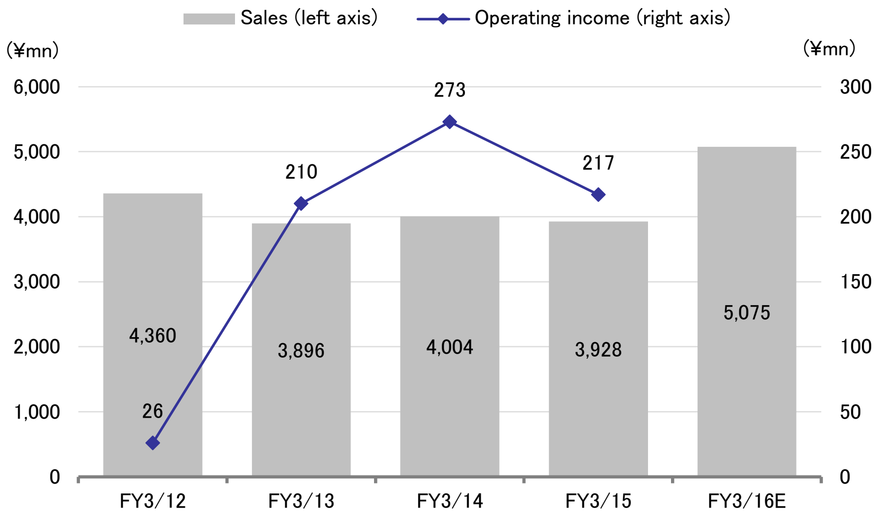
16-Oct.-15

The LED lamp business is also steady. A replacement lineup using LED has been completed for one-time mainstay products, metal halide lamps, mercury lamps (for uses such as ceilings, projectors and billboard lighting), halogen lamps (for store lighting), mini-krypton bulbs, beam lamps and lamp products, and replacement demand is being addressed. Net sales from FY3/14 to FY3/16 will be affected by sequentially winning large orders from major amusement companies to upgrade LED lamps in stores and the timing of that being booked as net sales.

The downward trend is continuing for projector lamps. Ahead of the expiration of Osprey's patent, the company is planning to sell AC lamps together with existing DC-type lamps. Product development has already concluded and plans are for a full-scale sales launch in FY3/16 with the objective of expanding sales by entering a new market. Despite this, forecast sales for FY3/16 are ¥887mn, 10% lower YoY. The reason for this is fears that the appearance of unauthorized manufacturers will erode the market for lamps for maintenance and repair. Caution needs to be exercised in regard to the reconstruction plan for the projector lamp business.

Overall, the lamp business in FY3/15 had net sales of ¥3,928mn, 1.9% down YoY, and operating income of ¥217mn, a decrease of 20.5%. Net sales for FY3/16 are forecast to be ¥5,075mn, 29.2% more than the previous year. The aforementioned light sources for photolithography equipment and LED lamps are expected to drive sales. Installation sales accompanying conversion to LED lamps are also expected to contribute to pushing up net sales.

Earnings in the Lamp Business



(2) Manufacturing Equipment Business

The manufacturing equipment business is handled by Nakan Techno. Products include flexo printing-type equipment, high-resolution printers (HRP) and plants (sales of secondhand LCD manufacturing equipment and more), for manufacturers of LCD (alignment layer printing equipment), touch-screen panels (insulating overcoat, metal trace, black mask).

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

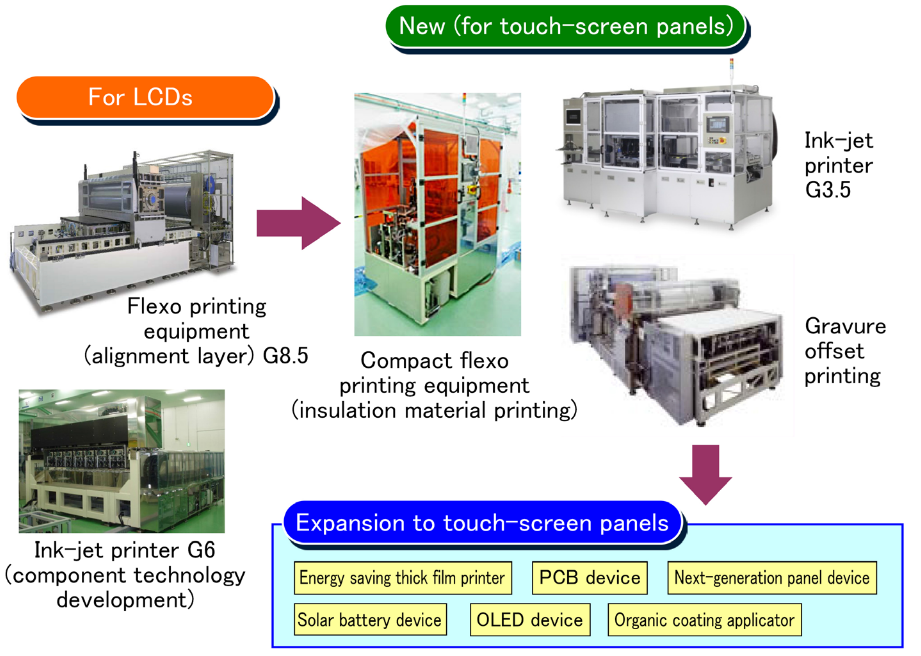
FISCO

Helios techno holding

6927 Tokyo Stock Exchange First Section

16-Oct.-15

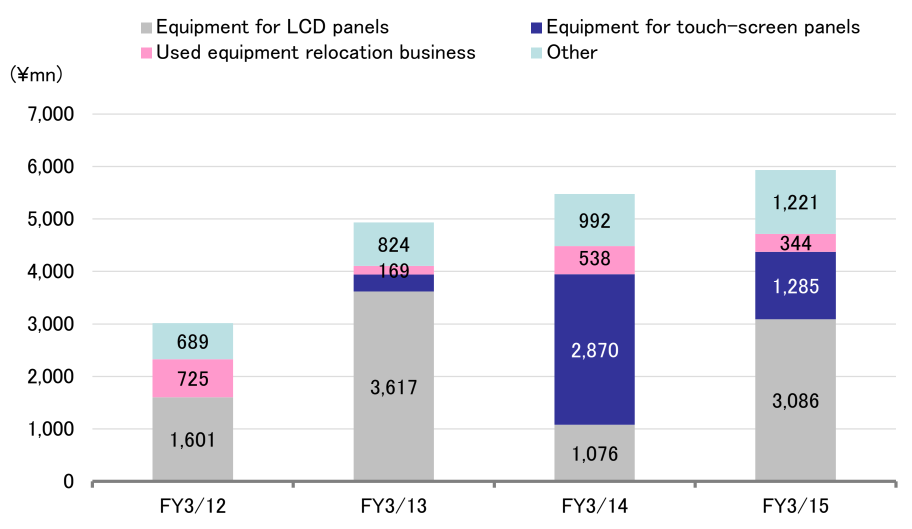
Manufacturing Equipment Business Examples



Source: H1 FY3/15 Business Results Briefing Materials

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.

Sales by Product in the Manufacturing Equipment Business



Plants are the area attracting most attention in the manufacturing equipment business. This is the sale of used manufacturing equipment for LCDs and touch-screen panels. The company purchases used equipment from Japan and Taiwan and sells and installs 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 doing business with Chinese operators, problems often arise in collecting payment. Given this situation, while many demands are recognized in sales of used equipment to China, 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. Against this backdrop, the company limits its trading partners within China in an effort to avoid risk. After launching the business, sales hovered from several hundred million yen to around ¥1,000mn for several years until FY3/15, when a major order exceeding ¥10,000mn was won. However, such an order was exceptional and it is best to think of the business formation basically being a collection of projects in the vicinity of several hundred million yen.

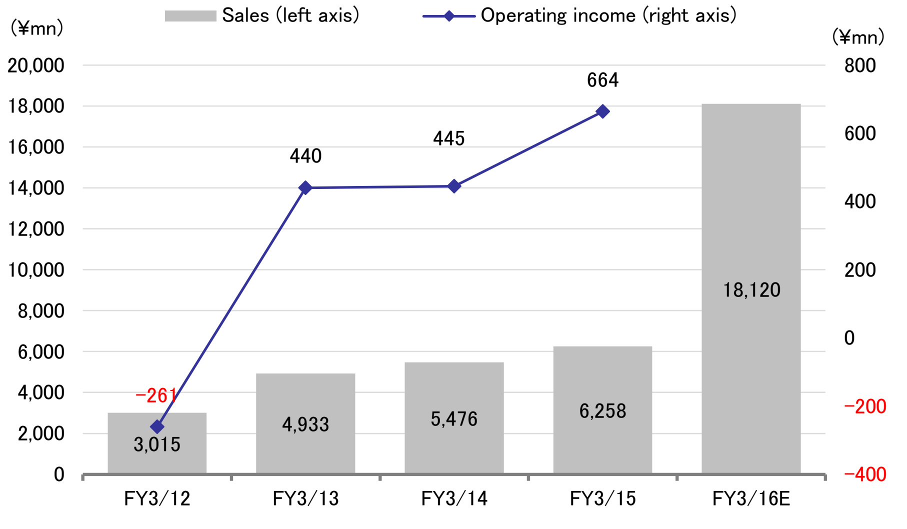
In the used equipment business, the company has expressed an interest in handling photolithography systems for semiconductors (steppers, scanners). If it can realize this, deals go into the several hundred million yen per machine, so it could have a significant impact on earnings. However, photolithography for semiconductors requires a level of microfabrication far beyond that needed with manufacturing equipment for LCDs and touch-screen panels, so an abrupt rise in required technological levels and business risk can be envisaged. The company should avoid thinking that the stepper-related business can soon be launched and contribute to earnings and we think the appropriate stance to take would be to watch over movements going forward.

In the manufacturing equipment business there has recently been a new development. That has been the demand for maintenance equipment. Up until now, there have been accumulated sales of more than 50 machines such as alignment layer manufacturing equipment or insulating layer forming equipment. The company has already received many requests for maintenance, component exchanges and remodeling, sparking the feeling that it has the potential to become an earnings base within the company's manufacturing equipment business.

Performance trends for FY3/15 were net sales of ¥6,258mn, an increase of 14.3% YoY, and operating income of ¥664mn, up 49.2% from the previous year. The main driving factors were flexo printing equipment and maintenance demand. The forecast for FY3/16 is net sales of ¥18,120mn. Of this, ¥13,200mn is expected to come from plants, essentially the secondhand manufacturing equipment business, and of this amount, ¥11,700mn has been recorded from a single project. The mainstay flexo printing equipment if projected to be ¥2,900mn, unchanged from the previous year. If ongoing deals proceed as planned, there is a high probability of adding to this.

On the performance side the most concerning factor is what is going to happen with trends in FY3/17, when there is no large-scale deal being done. It will probably be a matter of seeing how much of a divergence there will be from an axis of ¥6,420mn, which is the projected net sales for FY3/16 minus the aforementioned large-scale project. Whatever happens, a significant decrease in revenue is unavoidable. However, on the profit side, increased profits can be expected. The company says that the applicable large-scale project was from the outset expected to have a profit margin well below the operating income margin of 10% and is forecast to contribute only from ¥100mn to ¥200mn to profits. The reason for this is that transport costs for the manufacturing equipment significantly exceeded initial estimates. Consequently, in FY3/17, the lack of the large-scale project will only have an impact on reduced earnings of ¥100mn to ¥200mn, which is an amount that can be sufficiently covered by other products or projects.

Earnings in the Manufacturing Equipment Business



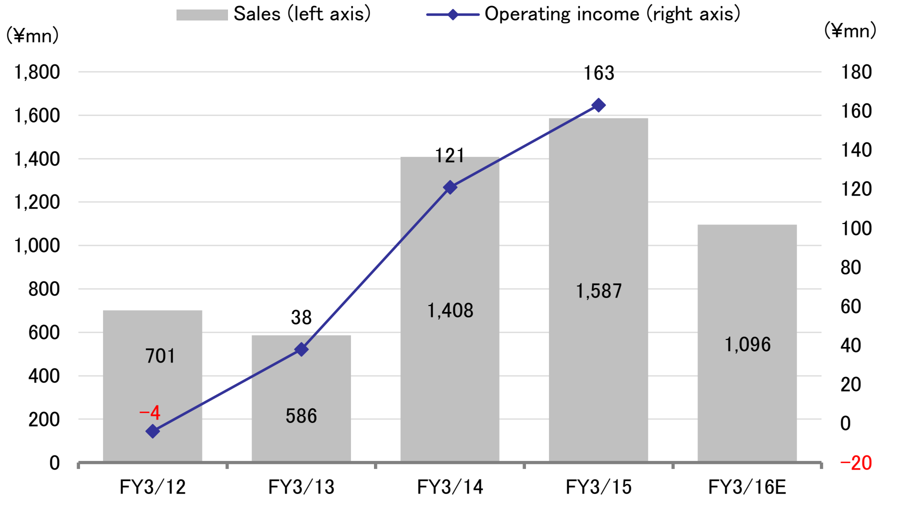
(3) Inspection Equipment Business

The inspection equipment business is operated by Nippon Gijutsu Center. The same company also operates the human resource service business and inspection equipment business. The inspection equipment business centers on the manufacture and sale of light source units for photolithography equipment used in LCD color filter manufacturing. This company also develops, manufactures, and sells inspection and measuring equipment in response to orders from customers.

The inspection equipment business has continued on under the major theme of the pursuit of synergies with the manufacturing equipment business. 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.

Performance has been steady since an operating income turnaround in FY3/13 and in FY3/15 net sales were ¥1,587mn, an increase of 12.7% YoY and operating income expanded to ¥163mn, a 34.7% increase from the previous year. Light source units for photolithography equipment provided the drive for significant growth by increasing by 36% YoY. The forecast for FY3/16 is a significant reversal with reduced earnings of ¥1,096mn, a 30.9% decline YoY. The reason for the reduced earnings is the expected rebound against the performance of light source units for photolithography equipment in the previous year.

Earnings in the Inspection Equipment Business



(4) Human Resource Service Business

The human resource service business is operated by Nippon Gijutsu Center. Nippon Gijutsu Center made Kansai Giken a subsidiary in May 2013, and absorbed it by merger in November of the same year. Furthermore, on April 1, 2015, Nippon Gijutsu Center absorbed in a merger Techno Provider Co., Ltd., another Helios Techno Group company. Through a series of M&As, Nippon Gijutsu Center is basically involved in dispatch of equipment manufacturing engineers, dispatch of temporary staff, design subcontracting and also conducts some nursing care business.

The human resource service business is by no means a highly profitable one; however, it produces steady profits. The benefits of the scale are the ease in working and demand for dispatching workers mainly to the manufacturing industry and the company has unified the group's human resource dispatch companies at Nippon Gijutsu Center as a measure to raise efficiency. Going forward, the policy is to proactively expand scale through measures such as M&A if appropriate projects are available.

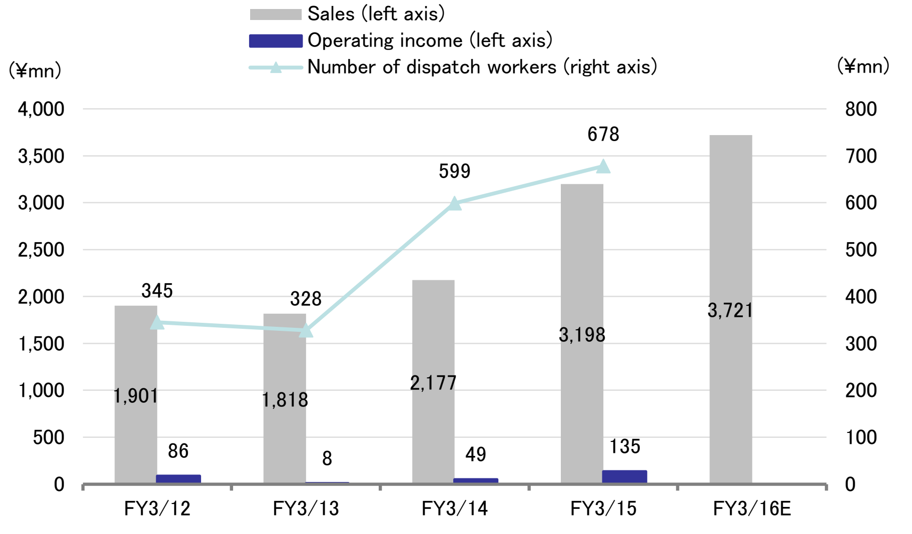
FISCO

Helios techno holding
6927 Tokyo Stock Exchange First Section

16-Oct.-15

In FY3/15, the human resource service business had net sales of ¥3,198mn, an increase of 46.9% YoY, and operating income was ¥135mn, an increase by 2.8 times. Demand for the dispatch of temporary workers mainly to the manufacturing industry was important, but the merger through absorption of Kansai Giken increased management efficiency and contributed to significantly increased earnings and profit. The number of workers dispatched increased to 678. The forecast for FY3/16 is to continue to have a strong operating environment, projected to achieve net sales of ¥3,721mn, an increase of 87.1%.

Earnings in the Human Resource Service Business



Performance Trends

Helios Techno Holding's performance in FY3/15 exceeded projections.

(1) Financial Results for FY3/15

The company's financial results for FY3/15 exceeded projections. Net sales were ¥14,817mn, up 14.9% YoY, operating income was ¥851mn, up 63.7% YoY, ordinary income was ¥780mn, up 25.5% YoY, and net income was ¥757, down 14.8% YoY.

By segment, each business increased net sales and profits except for the lamp business. In the manufacturing equipment business, which makes a significant contribution to profit, performance remained strong with net sales increasing by 14.3% and operating income up by 49.2%. Moreover, in the human resource service business, tightness in labor supply and demand was matched by the company's efforts to improvement management efficiency, resulting in a rapid escalation of operating income 2.8 times greater YoY. Behind the decreased earnings and profits in the lamp business was a problem of timing in that earnings from a large-scale project had been booked over several years and we do not believe that this is a matter of concern.

Earnings by Segment

(¥mn)

		FY3/14	FY3/15		FY3/16E	
		Full-year	Full-year	Change	Full-year	Change
Net sales	Lamp Business	4,004	3,928	-1.9%	5,075	29.2%
	Manufacturing Equipment Business	5,476	6,258	14.3%	18,120	189.5%
	Inspection Equipment Business	1,408	1,587	12.7%	1,096	-30.9%
	Human Resource Service Business	2,177	3,198	46.9%	3,721	16.4%
	Sub total	13,065	14,973	14.6%	28,012	87.1%
	Adjustment	-166	-155	-	-562	-
	Total	12,900	14,817	14.9%	27,450	85.3%
Operating income	Lamp Business	273	217	-20.5%	-	-
	Manufacturing Equipment Business	445	664	49.2%	-	-
	Inspection Equipment Business	121	163	34.7%	-	-
	Human Resource Service Business	49	135	175.5%	-	-
	Sub total	889	1,180	32.7%	-	-
	Adjustment	-369	-329	-	-	-
	Total	520	851	63.7%	-	-

(2) Consideration of Performance in FY3/16 and from FY3/17 Onward

Forecasts for FY3/16 are for net sales of ¥27,450mn, up 85.3% YoY, operating income of ¥1,080mn, up 26.8% YoY, ordinary income of ¥1,070mn, up 37.2% YoY, and net income of ¥670mn, down 11.6% YoY.

Net sales grew rapidly because one of the sales made in the manufacturing equipment business was for a secondhand plant in China where the single deal alone was accounted at more than ¥10,000mn. On the other hand, operating income growth was comparatively smaller because that large-scale project had only marginal profitability and it contributed only around ¥100mn to operating income. Moreover, as the tax rate burden will return to normal in FY3/16, the company foresees reduced income from the net income stage.

FY3/16 Forecasts for Operating Companies

(¥mn)

	PHOENIX Electric & Lux			Nippon Gijutsu Center			Nakan Techno		
	FY3/16 Forecasts	FY3/15 Results	Change	FY3/16 Forecasts	FY3/15 Results	Change	FY3/16 Forecasts	FY3/15 Results	Change
Net sales	5,075	5,047	28	4,817	4,767	50	18,120	6,258	11,862
Operating income	140	94	46	191	216	(25)	786	541	245
Ordinary income	129	101	28	183	214	(31)	761	436	325

In FY3/17, the impact of the large-scale project exceeding ¥10,000mn will be gone, so there is high possibility of a significant decrease in earnings. However, as that large-scale project made only a minor contribution to profits, we believe that there are more than sufficient possibilities of increasing operating income in FY3/17. In the manufacturing equipment business, inquiries regarding LCD equipment were brisk and there was a rapid escalation in demand for maintenance of previously delivered equipment. Normally, maintenance-related sales such as these often have a high profit margin and we expect that the same applies for the company. Moreover, organic growth can be expected in the human resource service business supported by strong demand for the dispatch of temporary workers in addition to possible growth through M&As. In these ways we can see the high likelihood of continued firm growth in profits in spite of the disappearance of ostentatious, large-scale projects.

Income Statement

(¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16E
Net sales	10,056	11,139	12,900	14,817	27,450
YoY	-27.8%	10.8%	15.8%	14.9%	85.3%
Gross profit	1,954	2,794	3,327	3,892	-
Gross profit margin	19.4%	25.1%	25.8%	26.3%	-
SG&A expenses	2,488	2,443	2,807	3,041	-
SG&A margin	24.7%	21.9%	21.8%	20.5%	-
Operating income	-533	351	520	851	1,080
Operating income margin	-	-	48.1%	63.7%	26.8%
YoY	-5.3%	3.2%	4.0%	5.7%	3.9%
Ordinary income	-315	431	621	780	1,070
YoY	-	-	44.1%	25.5%	37.2%
Net income	-1,256	443	889	757	670
YoY	-	-	100.7%	-14.8%	-11.6%
EPS (¥)	-76.95	26.82	53.10	43.97	37.57
Dividend (¥)	0.0	8.0	10.0	12.00	15.00
Net assets per share (¥)	353.58	381.81	427.63	450.23	-

Balance Sheet

(¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15
Current assets	6,051	6,081	7,967	18,802
Cash and deposits with banks	1,638	1,632	2,663	1,836
Notes and accounts receivable	2,808	2,794	3,330	4,213
Inventory assets	1,373	1,548	1,610	12,144
Fixed assets	3,195	3,049	2,807	2,726
Fixed assets	2,680	2,602	2,193	2,093
Intangible assets	243	150	162	149
Investments and other assets	272	296	451	483
Total assets	9,246	9,131	10,774	21,528
Current liabilities	2,567	2,141	2,824	12,629
Notes and accounts payable	751	910	1,420	1,271
Short-term borrowings	1,072	439	538	2,969
Long-term liabilities	828	649	688	857
Long-term borrowings	237	268	457	654
Shareholders' equity	5,847	6,291	7,124	7,911
Common stock	2,133	2,133	2,133	2,133
Capital surplus	2,563	2,563	2,563	2,563
Retained earnings	2,718	3,161	3,915	4,459
Treasury stock	-1,567	-1,567	-1,488	-1,245
Accumulated other comprehensive income	3	26	86	117
Minority interests	0	0	0	0
Subscription rights to shares	0	22	50	12
Total net assets	5,850	6,340	7,261	8,041
Total liabilities and net assets	9,246	9,131	10,774	21,528

Cash flow statement

(¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15
Cash flows from operating activities	84	840	747	-3,508
Cash flows from investing activities	-166	-234	144	91
Cash flows from financing activities	93	-629	79	2,611
Adjustments to cash and cash equivalents	0	0	30	1
Net increase (decrease) in cash and cash equivalents	11	-23	1,000	-804
Cash and cash equivalents at beginning of period	1,597	1,608	1,585	2,585
Cash and cash equivalents at end of period	1,608	1,585	2,585	1,780

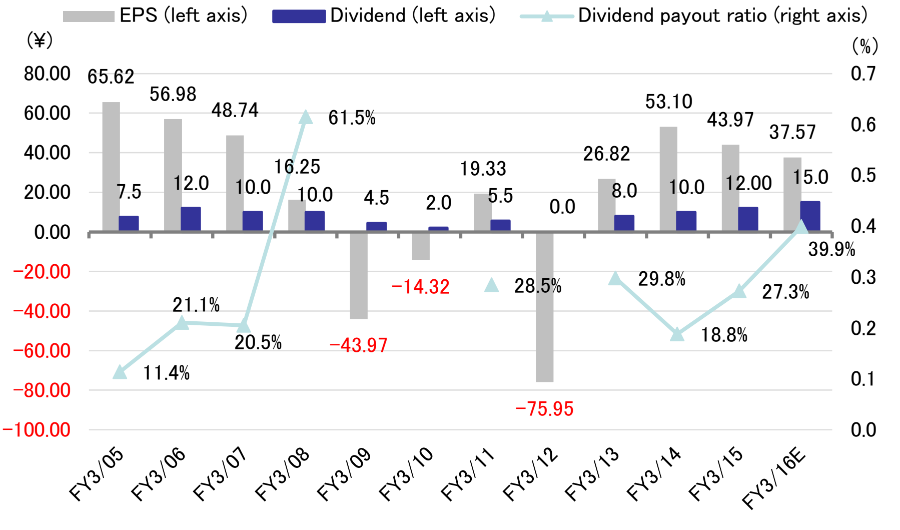
Shareholder Returns

Basically paying a stable dividend that increases in line with profit

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.

In FY3/15, a planned dividend of ¥10 was increased by ¥2 to ¥12. Net income decreased YoY, but as happened in the previous year, extraordinary profit raise it to a high standard and at the operating income stage was an increased profit that gave resilience to performance growth, but we see this as the reason for increasing the dividend. For FY3/16, the projection is for a further increase of ¥3 to ¥15. As mentioned earlier, the large-scale order projects increased earnings and profits. Unless there is an extraordinary reason otherwise, net income will decrease, but even so, the dividend payout ratio is forecast to stay at 39.9%.

Earnings Per Share, Dividend, and Dividend Payout Ratio



Disclaimer