

Helios Techno Holding6927 Tokyo Stock Exchange
First Section

11-Jan.-17

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Hiroyuki Asakawa**■ Strong earnings progress, focus on rollout of new HRP products**

Helios Techno Holding <6927> (hereinafter, also “the Company”) is a holding company formed in 2009 as a result of a business integration and business acquisition, including a renaming, undertaken by the former PHOENIX Electric Co., Ltd. It is now a pure holding company following a corporate split. The Company has three businesses: the lamp business, the manufacturing equipment business, and the human resources service business.

Helios Techno reported ¥9,138mn in net sales and ¥1,081mn in operating income in 1H FY3/17, posting higher sales and earnings. Operating income exceeded the initial target by ¥381mn (54.5%). Business trends were generally strong, and extra sources of earnings upside included extraordinary demand of restoration work after the Tainan earthquake, new product releases, and reduction in SG&A expenses.

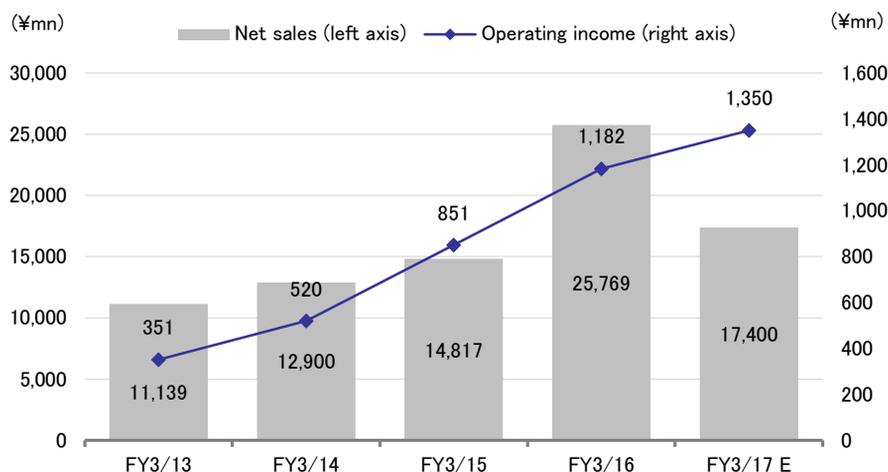
Business conditions in the mainstay manufacturing equipment business are strong. Capital investments for LCD panel production lines in China remain at a high level, and Helios Techno benefits from this trend. The Company has robust orders backlog in alignment layer manufacturing equipment and multi-lamp systems (MLS) used in photolithography equipment. We also expect ramp-up of organic EL production lines and think the Company is likely to benefit in this area too.

Helios Techno already commercialized high-resolution printing equipment (HRP) , but has decided to enhance its offerings and develop this area into a growth business. Curved panels, which are attracting interest amid the emergence of organic EL displays, are likely to make inroads not only as a mobile equipment screen, but also as a display device in automobiles, because of their design appeal, and the Company’s HRPs possesses excellent precision coating technology for curved surfaces. We imagine a variety of other uses too and see a possibility of HRPs becoming a core business along with alignment layer manufacturing equipment. We will be closely monitoring business developments from 2H.

■ Check Point

- Posted major sales and profit growth rates in 1H FY3/16
- Expecting a decline in net sales for FY3/17, but a double-digit increase in operating income
- Pays a stable dividend and increases the dividend for higher profits

Business Performance



Review of 1H FY3/16 Results

Posted major sales and profit growth rates in 1H FY3/16

Helios Techno reported ¥9,138mn in net sales (+22.8% YoY), ¥1,081mn in operating income (+30.2%), ¥1,031mn in ordinary income (+24.7%), and ¥713mn in net income attributable to owners of parent (+26.4%), in 1H FY3/17, posting sharply higher sales and earnings.

The 1H results surpassed initial forecast in all major items, including by ¥138mn in net sales (1.5%), ¥381mn in operating income (54.5%), and ¥331mn in ordinary income (47.3%), and Helios Techno raised FY3/17 forecast in light of this outcome (see below for a detailed description of the full-year outlook).

Review of 1H FY3/17 Results

(unit: ¥mn)

	FY3/16			FY3/17			
	1H	2H	Full year	1H forecast	1H Results	YoY change	Difference vs. estimates
Net sales	7,438	18,330	25,769	9,000	9,138	22.8%	1.5%
Operating income	830	351	1,182	700	1,081	30.2%	54.5%
(Operating margin)	11.2%	1.9%	4.6%	7.8%	11.8%	-	-
Ordinary income	826	341	1,168	700	1,031	24.7%	47.3%
(Ordinary income ratio)	11.1%	1.9%	4.5%	7.8%	11.3%	-	-
Profit attributable to owners of parent	564	243	807	450	713	26.4%	58.7%

Source: Prepared by FISCO from the Company's financial materials

The Company exceeded initial forecast in 1H primarily due to the following points. The first point was extraordinary demand of restoration work at a plant using the Company's manufacturing equipment that was damaged in the Tainan earthquake in February 2016. The second point was the start of shipments of large-size printing plates (consumables) used with flexo printing equipment not initially anticipated. Helios Techno makes printing equipment that supports up to 8.5G sizes, but had supply 6G-size printing plates. It started shipping plates in the 8.5G size due to improved production yield, and the shipments contributed to higher profit in this business. The third point was reduction of SG&A expenses beyond the plan in the Company's various business segments. This is the reason why profits surpassed forecast more than the net sales did.



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Initial forecast had envisioned lower profits on an increased net sales YoY. The outlook for a profit decline, despite projecting a sales gain of about ¥1,500mn, took into account the sales from relocation of used production equipment (roughly ¥2,000mn in order value) in 1H. Used equipment relocations have much lower profitability than the Company's own manufacturing equipment. Helios Techno booked net sales on track with the plan in 1H.

The Company previously utilized four business segments, but switched to a three-segment format from FY3/17 - manufacturing equipment business (which absorbed the former inspection equipment business), lamp business, and human resource service business.

Both sales and profits declined YoY in the lamp business. The segment lagged in 1H due to lack of growth in projector lamps and concentration of LED lamp (for general lighting) orders in 2H. High-margin photolithography light-source lamps (MLS light source), meanwhile, made steady progress.

Manufacturing equipment business recorded steep sales and profit increases on sales drivers from steady deliveries of alignment layer manufacturing equipment for large FPD panels as well as used equipment relocations and demand for restoration work after the Tainan earthquake. The Company developed and delivered a 10G product in the photolithography light-source lamp (MLS) business to meet demand for production of large color filters.

The human resource service business booked higher sales and profits. This segment covers dispatch of manufacturing engineers, design subcontracting, and dispatch of manufacturing workers. Manufacturing engineer dispatch and design subcontracting are posting stable results thanks to efforts aimed at enhancement of staff quality with a locality-centric strategy. The Company has improved income contributions from dispatching manufacturing workers by recruiting more dispatch sites and increasing the number of dispatched workers.

Details by Business Segment

(unit: ¥mn)

	FY3/16			FY3/17	
	1H	2H	Full year	1H	YoY change
Net sales					
Lamp business	1,758	1,797	3,556	1,571	-10.6%
Manufacturing equipment business	3,456	13,963	17,419	5,792	46.3%
Inspection equipment business	502	843	1,346		
Human resources service business	1,728	1,734	3,463	1,783	3.2%
Sub-total	7,446	18,339	25,785	9,147	22.9%
Adjustment	-7	-8	-16	-9	-
Total	7,438	18,330	25,769	9,138	22.8%

Note: The Company merged the inspection equipment business into the manufacturing equipment business from FY3/17. The 1H FY3/17 YoY growth rate shows a comparison with combined values for inspection equipment and manufacturing equipment businesses from the previous year.

Source: Prepared by FISCO Ltd. from the Company's financial materials

Trends by business segment

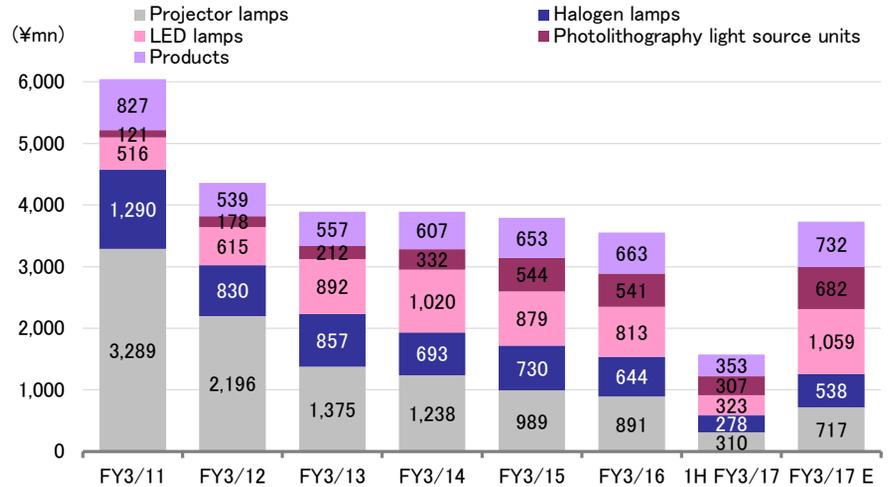
Extensive MLS orders backlog with steadily deliveries

(1) Lamp business

a) Business overview and results trends

The lamp business is handled by PHOENIX Electric and its subsidiary Lux. It has five product and application sub-segments – projector lamps, halogen lamps, products, LED lamps, and light sources for photolithography equipment.

Lamp Sales by Type



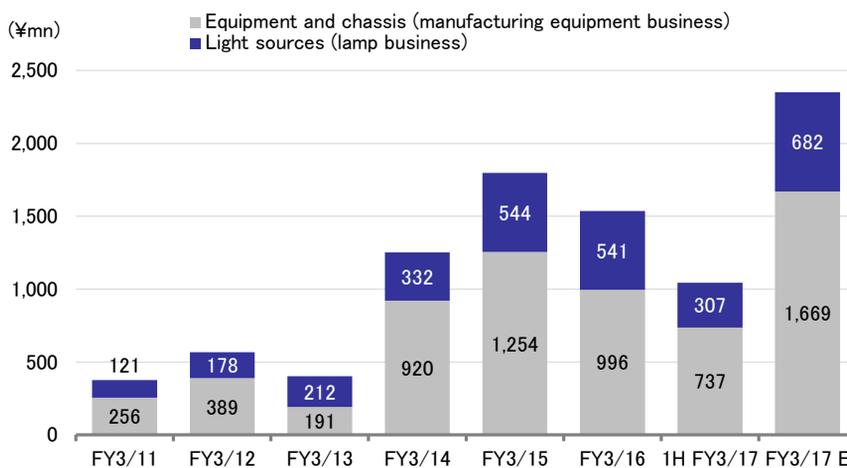
Source: Prepared by FISCO Ltd. from the Company's financial materials and interviews

Projector lamps serve as the light source for rear-projection projectors and now remains for a replacement demand. The share in the segment sales composition for this business has been gradually shrinking.

The main use of halogen lamps, products, and LED lamps is lighting for stores and similar locations. Demand is shifting to LED products that have longer lives and offer energy-saving benefits. Helios Techno is similarly experiencing growth in LED lamps paired with contraction of halogen lamps. The Company purchases LED chips from external suppliers and manufactures LED lighting products in-house.

Light sources for photolithography are light-source units used in photolithography equipment for manufacturing color filters, a key component of LCD panels. While specialty firms make photolithography equipment, the Company ships its "light source unit (multi-lamp system: MLS)" to photolithography equipment manufacturers. The Company currently makes exclusive deliveries to the top domestic equipment manufacturer. MLS products consist of a lamp and lamp chassis, and Helios Techno books lamp sales in the lamp business and the chassis in the machinery equipment business. While the chassis accounts for a larger portion of sales, it seems the lamp portion generates higher profitability.

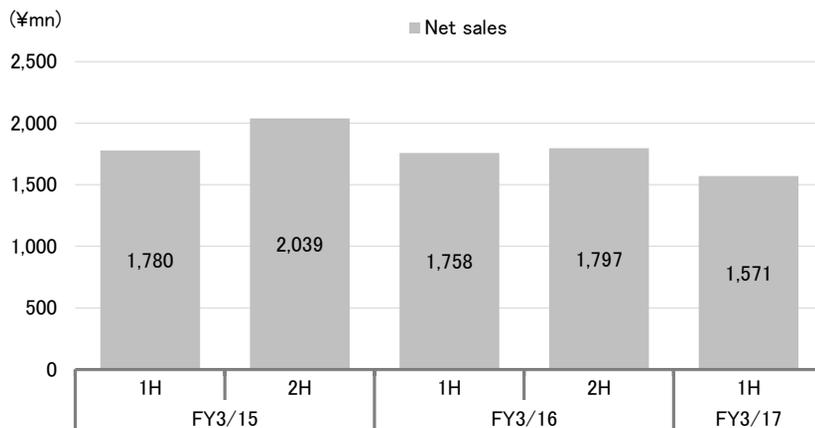
Sales Trend in Light-Source Units (MLS) for Photolithography Equipment



Source: Prepared by FISCO Ltd. from the Company's materials and interviews

The lamp business booked ¥1,571mn in segment net sales (-10.6% YoY) and ¥20mn in operating income (-60.6%) in 1H FY3/17, as noted earlier. The Company's lamp business exhibits seasonality at the half-year level that results in higher income in 2H. Additionally, income seasonality was more pronounced in 1H because of likely concentration of lighting-purpose LED lamp orders in 2H. MLS products are currently faring well thanks to steady deliveries supported by extensive orders backlog, nevertheless, further growth in 2H is anticipated.

Results Trend for the Lamp Business on a Half-Year Basis



Source: Prepared by FISCO Ltd. from the Company's financial materials

b) Topics and growth strategy

We see two focus points for growth strategy and earnings contributions in the lamp business. One is MLS, and the other is UV lamps.

1) MLS strategy

The Company delivers MLS products to Japan's top photolithography equipment manufacturer and orders volume from this customer directly affects income in the MLS business, as explained above. We think the Company has already received (or is close to receiving) orders that cover work volume through FY3/18 based on information disseminated by the photolithography equipment manufacturer, which is the direct customer. Additionally, the Company expects the market to remain at a high level through shipments in FY3/19 based on capital investment plans at LCD panel manufacturers, mainly in China.

However, capital investment plans might sharply contract from FY3/20, and Helios Techno appears to be reviewing a business plan that takes this into account. The main focus in the MLS business hence is establishment of a business model to deal with conditions after peaking, rather than securing near-term orders.

While the Company is still reviewing details, we think the direction is looking at future business opportunities such as support and maintenance for previously delivered equipment and replacement of the light-source type from mercury lights to LEDs.

2) UV lamps

The Company has presented a strategy of concentrating research and development resources in ultraviolet (UV) lamp separate from ordinary lighting, as a growth area. It already manufactures UV lamps as a light source for photolithography equipment, and the Company possesses strength in this sector. Helios Techno intends to develop UV LEDs, low-voltage mercury lights, and other new types of UV lamps. It also plans to develop new applications and create markets along with the development of new lamp types.

The Company made smooth progress in development of an LED chip for UV LEDs during 1H FY3/17 and has established a basis for commercializing as a product in the near future. While it has not clarified specific applications and markets yet, we think replacement of existing lamps (mercury lamps and others) with UV LEDs is one of the opportunities, as noted above. This is a possibility for other firms also, not only the Company's products. While it is still too early to factor UV lamp business into income, we think it should be a focus from FY3/18.

Acquiring Leadtech Co., Ltd. as a group firm and creating synergies

(2) Manufacturing equipment business**a) Business overview and results trends**

Subsidiary Nakan Techno Co., Ltd. handles the manufacturing equipment business. It possesses technologies in flexo printing, offset printing, inkjet printers, and other areas, but mainly supplies LCD panel manufacturing equipment as specific products.

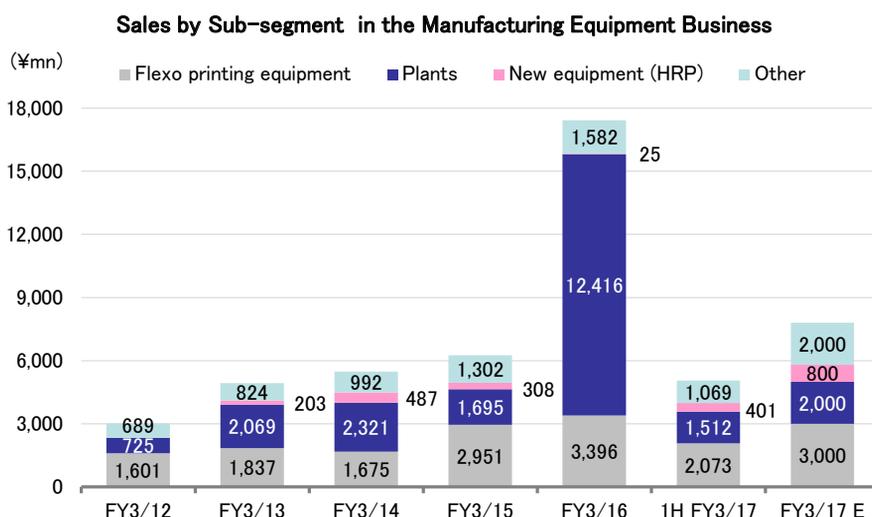
A leading product in this business is alignment layer manufacturing equipment using flexo printing technology. The two different formats utilized in alignment layer manufacturing equipment are flexo printing technology and inkjet printer technology, and Nakan Techno is the only manufacturer of flexo-printer alignment layer manufacturing equipment. However, it is thought that flexo printing equipment's applicability will only last until the 8.5G mother-glass size for LCD panels, and the Company currently primarily ships equipment for the 8.5G size. While LCD panel firms are already advancing to the 10.5G size at cutting-edge production sites, we think strong demand remains for the 8.5G size in China, which is Nakan Techno's main market. The Company is addressing this point by working on development of PI printing equipment using the inkjet method in order to accommodate the 10.5G size.

High-resolution printers (HRPs) are another sub-segment in the manufacturing equipment business. These products utilize a variety of printing technologies, such as inkjet and gravure methods, to realize high-resolution printing. While a broad range of potential applications exists, we particularly expect use in production of organic EL panels and curved LCD panels.

The plants business is a sub-segment too, though does not supply products. It mediates, transports, and relocates used LCD manufacturing equipment and other systems. Strong demand exists in China to purchase production equipment from past generations inexpensively and use these facilities to lower LCD panel manufacturing costs. The Company is involved in this business because it has technology capabilities for installation, not only production, as well as experience in commercial transactions with Chinese firms leveraging a network of personal contacts.

The “others” sub-segment includes supply of consumables of delivered manufacturing equipment, and work for the maintenance, repairs, and improvement. Sales from others have grown considerably in the past few years because cumulative sales of the Company’s manufacturing equipment are well above 50 units. Maintenance and repair work is highly profitable as a business, and we think it could grow to be an important source of earnings over the medium term. The Company acquired orders to restore damages from the Tainan Earthquake in 1H FY3/17, as noted earlier, and these sales were also recorded in this sub-segment.

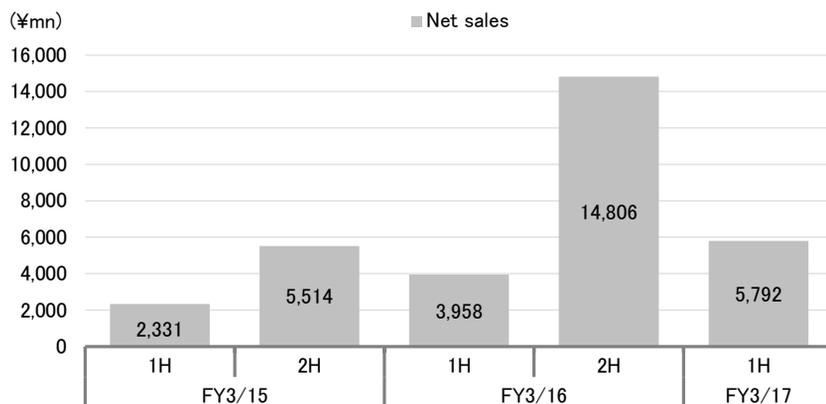
The Company merged the inspection equipment business, which is operated by Nippon Gijutsu Center Co., Ltd. (a subsidiary that dispatches manufacturing engineers and other human resource services business), into the manufacturing equipment business from FY3/17. It currently does not manufacture inspection equipment and primarily handles production of the chassis for light-source units (MLS) for photolithography equipment used in manufacturing LCD-panel color filters and assembles the light-source units using its chassis output and light-source lamps. The merger reflects a management decision that it makes sense to unify operations with the manufacturing equipment business.



Source: Prepared by FISCO Ltd. from the Company’s materials and interviews

Manufacturing production equipment income has been steadily growing, and this segment posted steep sales and profit increases in 1H FY3/17 with segment net sales at ¥5,792mn (+46.3% YoY) and operating profit at ¥1,174mn (+32.1%). The increases were mainly due to steady progress in alignment layer manufacturing equipment deliveries and booking sales of used equipment relocations as planned. In addition, income exceeded forecast due to restoration work following the Tainan earthquake. The Company expects declines in sales and profits in 2H compared to 1H, because the plan outlined heavier deliveries in 2Q for this fiscal year. It also takes into account the absence of a large used equipment relocation project worth more than ¥10bn recorded in 2H FY3/16. We think FY3/17 is a fairly strong year as a whole excluding this special deal.

Results Trend for the Manufacturing Equipment Business on a Half-Year Basis



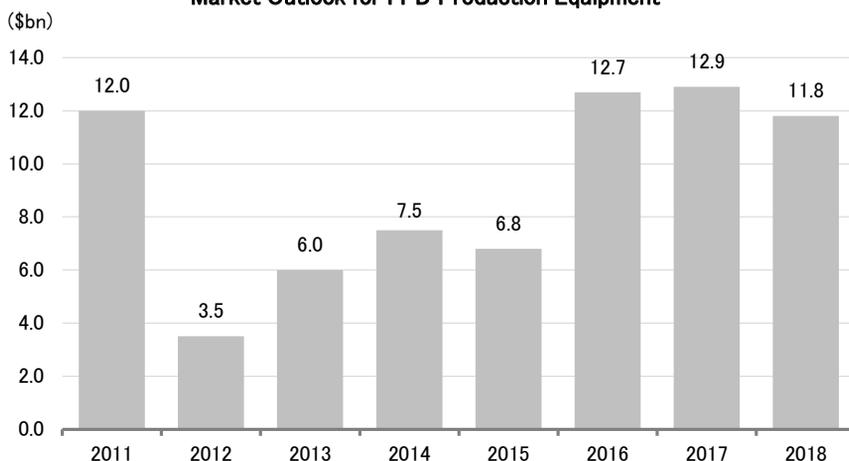
Note: Simple totals for manufacturing equipment and inspection equipment businesses in FY3/15 and FY3/16

Source: Prepared by FISCO Ltd. from the Company's financial materials

b) Topics and growth strategy

The manufacturing equipment business primarily supplies products used in LCD panel production, such as alignment layer manufacturing equipment and light-source units for LCD color filter photolithography equipment. Capital investments in LCD panel production lines are particularly lively in China, and we expect equipment demand to remain at a high level and related benefits for the Company through FY3/19.

Market Outlook for FPD Production Equipment



Source: Prepared by FISCO Ltd. from data compiled by UK-based IHS Inc.

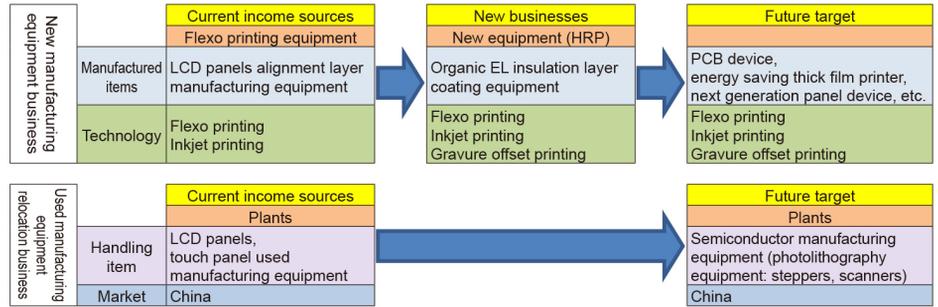
While LCD panel capital investments are likely to head lower from FY3/20, there is the possibility of new products offsetting decline in LCD panel production equipment.

The Company developed HRP as a new equipment category besides existing alignment layer production equipment, and market expansion has emerged as a possibility. The driver is organic EL. One of the main features of organic EL displays is realization of products with enhanced design appeal utilizing the curved surface. The curved surface supports a scenario of increased HRP demand because of difficulty coating the curved surface with a substance in uniform thickness. The level of difficulty increases with thinner coats. The Company's HRP is a machine that can provide this type of coating.

Markets likely to utilize curved displays are smartphones, tablets, and other mobile equipment and the area around the driver's seat in automobiles. Cars without side mirrors are slated to use more display devices in the driver's seat area (such as LCD panels and organic EL panels), and we anticipate extensive utilization of curved surfaces from a standpoint of legibility and design appeal. Wider adoption of curved displays might also lead to creation of new markets.

Research on curved LCD panels is proceeding too as a rival to organic EL, and it is unclear which market will become dominant at this point. However, we think the Company is capable of capturing curved surface coating needs without an impact from the battle for dominance between LCD and organic EL formats.

Business Roadmap for Manufacturing Equipment



Source: Prepared by FISCO Ltd. from the Company's materials and interviews

Another topic for FY3/17 is Nakan Techno's acquisition of Leadtech as a subsidiary (which makes it a second-tier subsidiary of the Company). Leadtech is a smaller company with ¥560mn in annual sales (FY9/15 result) with headquarters in Iwaki City, Fukushima Prefecture. It has worked with Nakan Techno in making LCD manufacturing equipment and relocations and installations of used equipment, and it also manufactures its own inkjet printers and other products. Nakan Techno decided to acquire a stake in Leadtech on the basis that this would be more effective in human resource development and sharing knowhow for future business expansion.

We think the addition of Leadtech as a group company is very important in reinforcement of production and construction capacities. The Company has extensive orders backlog in alignment layer manufacturing equipment and is moving toward full-fledged output of HRPs. Additionally, demand is growing in maintenance and repair of delivered equipment in the field. It was vital to secure human resources in this environment, and it is difficult to quickly add engineers that have experience with the Company's equipment and business through normal hiring activities. Leadtech has about 20 engineers, and its conversion to a subsidiary provided a fast solution to the human resources issue.

Steady expansion of earnings

(3) Human resources service business

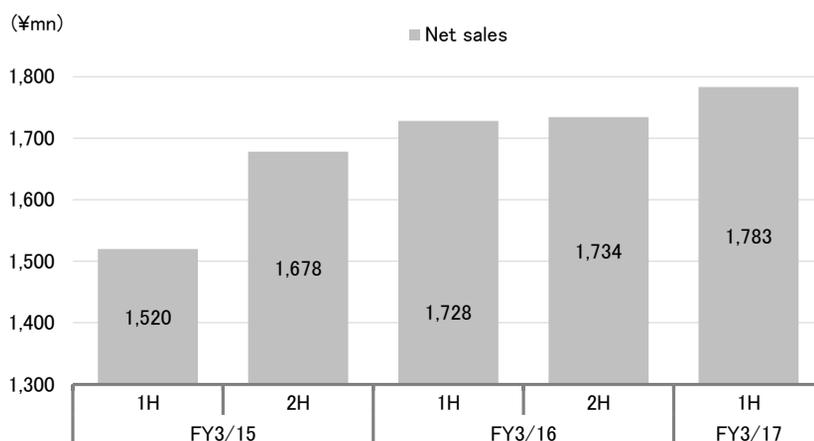
The human resource service business is operated by Nippon Gijutsu Center. Helios Technology had multiple human resource service companies in its group until Nippon Gijutsu Center absorbed KANSAI GIKEN Co., Ltd. through a merger in November 2013 and also absorbed Techno Provider Co., Ltd. through a merger in April 2015. We think these initiatives aimed to lower management costs and raise business profitability.

Human resources services include dispatch of manufacturing engineers, dispatch of workers, design subcontracting, and nursing care. We think dispatching services for manufacturing engineers and workers are primary income sources. Management intends to continue pursuing M&A deals in the human resources business. The dispatching industry is struggling to secure human resources, and the Company sees appeal in M&A-led expansion because of opportunities to acquire human resources and a sales base.

The sales strategy utilizes a locality-centric business model. It emphasizes building operations that expand the customer base in areas nearby existing customers and facilitate concentrated supply of dispatched workers. The primary aim is obviously improving efficiency. The Company therefore plans to seek M&A deals that target companies with a base in regions that can readily obtain synergies with existing customers.

This segment booked ¥1,784mn in segment net sales (+3.2% YoY) and ¥90mn in operating income (+70.8%) in 1H FY3/17. The Company is focusing on expansion of the customer base in peripheral areas and deeper business with existing customer in accordance with the sales strategy explained above. Business grew in 1H FY3/17 due to the start of operation at new plants at priority customers.

Results Trend for the Human Resource Service Business on a Half-Year Basis



Source: Prepared by FISCO Ltd. from the Company's financial materials

■ Performance Trends

Expecting a decline in net sales for FY3/17, but a double-digit increase in operating income

(1) FY3/17 full-year outlook

Helios Techno forecasts for ¥17,400mn in net sales (-32.5% YoY), ¥1,350mn in operating income (+14.2%), ¥1,290mn in ordinary income (+10.4%), and ¥850mn in net income attributable to owners of parent (+5.2%) in FY3/17, projecting higher profits on a decline in sales.

While the Company raised FY3/17 forecast in light of strong 1H results, we think the revised targets are still conservative in light of current conditions.

Summary of the FY3/17 full-year outlook

(unit: ¥mn)

	FY3/16			FY3/17					
	1H	2H	Full year	1H	2H E	Full-year (initial forecast)	Full-year (revised forecast)	y-o-y	Initial forecast
Net sales	7,438	18,330	25,769	9,138	8,261	17,700	17,400	-32.5%	-1.7%
Operating income	830	351	1,182	1,081	268	1,050	1,350	14.2%	28.6%
(Operating income margin)	11.2%	1.9%	4.6%	11.8%	3.3%	5.9%	7.8%	-	-
Ordinary income	826	341	1,168	1,031	258	1,040	1,290	10.4%	24.0%
(Ordinary income ratio)	11.1%	1.9%	4.5%	11.3%	3.1%	5.9%	7.4%	-	-
Profit attributable to owners of parent	564	243	807	713	136	680	850	5.2%	25.0%
(Net income ratio)	7.6%	1.3%	3.1%	7.8%	1.6%	3.8%	4.9%	-	-

Source: Prepared by FISCO Ltd. from the Company's financial materials

We expect expansion of LEDs under the lamp business in 2H. Helios Techno concluded sales distributor contracts for LED lighting with a major office equipment manufacturer. This only started in 2H and is already providing contributions. Sales are also steadily growing thanks to advances by an LED shift in the amusement area and development of niche markets. In 2H, the Company also expects to continue strong deliveries of MLS light sources along the lines of 1H.

The 2H outlook in manufacturing equipment business projects a decline in sales from the 1H level because of concentrated deliveries in 2Q. A decline from the absence of large used equipment relocation deals is also a factor of weaker sales in the YoY comparison. However, we expect the Company to continue producing equipment during 2H for inspections in FY3/18 against a backdrop of extensive orders backlog. Another notable point for 2H is the progress in development of the new HRP market and orders expansion.

We forecast continuation of steady activity for the human resource service business in 2H too thanks to expansion of the customer base driven by locality-centric sales and benefits from new plant launches at existing customers.



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FY3/17 Forecasts by Segment

(unit: ¥mn)

		FY3/16			FY3/17					
		1H	2H	Full year	1H	YoY change	2H (E)	YoY change	Full-year initial forecast	y-o-y
Net sales	Lamp business	1,758	1,797	3,556	1,571	-10.6%	2,157	19.9%	3,728	4.8%
	Manufacturing equipment business	3,456	13,963	17,419	5,792	46.3%	4,302	-87.6%	7,625	-59.4%
	Inspection equipment business	502	843	1,346						
	Human resources service business	1,728	1,734	3,463	1,783	3.2%	2,170	25.1%	3,954	14.2%
	Sub-total	7,446	18,339	25,785	9,147	22.9%	8,628	-53.0%	17,776	-31.1%
	Adjustment	-7	-8	-16	-9	-	-67	-	-76	-
	Total	7,438	18,330	25,769	9,138	22.8%	8,562	-53.3%	17,700	-31.3%

Note: The full-year outlook shows initial forecast and does not reflect revised forecast. We calculated 2H targets by subtracting 1H results from the full-year outlook.

Source: Prepared by FISCO Ltd. from the Company's financial materials

(2) Our view from FY3/18

We think the FPD production equipment market should remain at a high level during 2016-2018 as explained above. Helios Techno has the same view in light of the orders it has been receiving for light-source units used in photolithography equipment (MLS) and alignment layer manufacturing equipment. We thus expect the Company to sustain current strong earnings through FY3/19. However, restoration work after the Tainan earthquake has boosted sales in FY3/17, and we see a challenge in attaining higher profits compared to the FY3/17 level.

We believe Helios Techno needs to cultivate the HRP market and expand orders in order to realize earnings growth from FY3/18. It has already commercialized HRPs, and the product can be utilized for LCD panels, organic EL panels, and other various areas. We expect a major catalyst from the emergence of curved displays as explained above, but this is not the only opportunity. We think it is important to quickly secure key markets and establish a brand image because HRP technology is not exclusive to Helios Techno and rivals exist too.

We expect maintenance (including repairs and improvements) for delivered equipment and used equipment relocations to become increasingly important over the medium term. We think the large used equipment relocation project from FY3/16 and restoration work after the Tainan earthquake in 1H FY3/17 offer hints of the Company's future business model. Nakan Techno acquired Leadtech as a subsidiary and thereby added about 20 skilled engineers, as noted earlier, and this was a significant move, in our view.

Consolidated Income Statement

(unit: ¥mn)

	FY3/14	FY3/15	FY3/16	FY3/17	
				1H	Full year (E)
Net sales	12,900	14,817	25,769	9,138	17,400
YoY	15.8%	14.9%	73.9%	22.8%	-32.5%
Gross profit	3,327	3,892	4,313	2,577	-
Gross profit margin	25.8%	26.3%	16.7%	28.2%	-
SG&A expenses	2,807	3,041	3,131	1,495	-
SG&A margin	21.8%	20.5%	12.2%	16.4%	-
Operating income	520	851	1,182	1,081	1,350
YoY	48.1%	63.7%	38.9%	30.2%	14.2%
Operating income margin	4.0%	5.7%	4.6%	11.8%	7.8%
Ordinary income	621	780	1,168	1,031	1,290
YoY	44.1%	25.5%	49.7%	24.7%	10.4%
Profit attributable to owners of parent	889	757	807	713	850
YoY	100.7%	-14.8%	6.6%	26.4%	5.2%
EPS (¥)	53.10	43.97	45.25	39.74	47.31
Dividend (¥)	10.00	12.00	15.00	-	15.00
Net assets per share (¥)	427.63	450.22	480.79	-	-

Balance Sheet

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15	FY3/16	1H FY3/17
Current assets	6,081	7,967	18,802	11,898	10,500
Cash and deposits with banks	1,632	2,663	1,836	3,158	3,297
Notes and accounts receivable	2,794	3,330	4,213	4,884	4,298
Inventory assets	1,548	1,610	12,144	2,553	1,773
Fixed assets	3,049	2,807	2,726	2,765	2,604
Tangible fixed assets	2,602	2,193	2,093	2,181	2,083
Intangible assets	150	162	149	109	120
Investments and other assets	296	451	483	474	400
Total assets	9,131	10,774	21,528	14,663	13,104
Current liabilities	2,141	2,824	12,629	5,400	3,532
Notes and accounts payable	910	1,420	1,271	1,417	1,563
Short-term borrowings	439	538	2,969	519	511
Long-term liabilities	649	688	857	617	506
Long-term borrowings	268	457	654	434	332
Shareholders' equity	6,291	7,124	7,911	8,532	8,977
Common stock	2,133	2,133	2,133	2,133	2,133
Capital surplus	2,563	2,563	2,563	2,563	2,563
Retained earnings	3,161	3,915	4,459	5,047	5,491
Treasury stock	-1,567	-1,488	-1,245	-1,211	-1,211
Accumulated other comprehensive income	26	86	117	106	82
Subscription rights to shares	22	50	12	6	6
Total net assets	6,340	7,261	8,041	8,645	9,065
Net liabilities and assets	9,131	10,774	21,528	14,663	13,104

Cash Flow Statement

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15	FY3/16	1H FY3/17
Cash flows from operating activities	840	747	-3,508	4,503	572
Cash flows from investing activities	-234	144	91	-317	-53
Cash flows from financing activities	-629	79	2,611	-2,863	-380
Net increase (decrease) in cash and cash equivalents	-23	971	-804	1,322	138
Cash and cash equivalents at beginning of period	1,608	1,585	2,585	1,780	3,102
Cash and cash equivalents at end of period	1,585	2,585	1,780	3,102	3,241

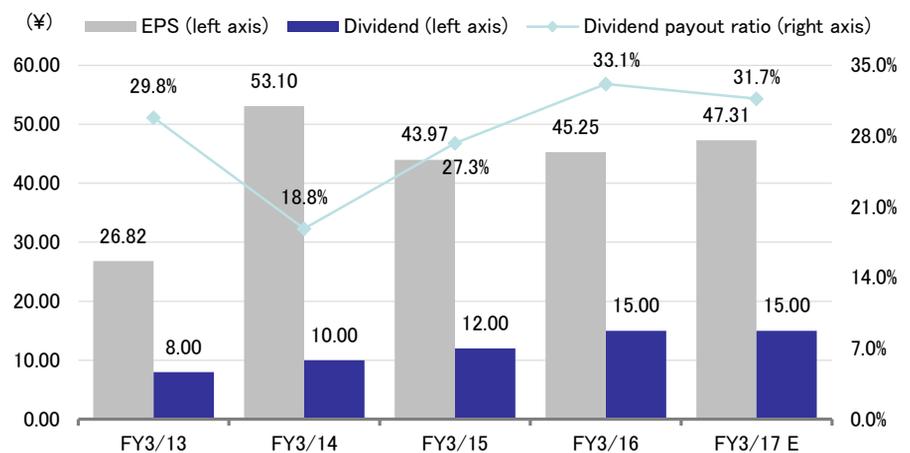
Shareholder Returns

Pays a stable dividend and increases the dividend for higher profits

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 growth in results.

The Company plans to pay a ¥15 dividend in FY3/17, on par with the previous year. While it raised FY3/17 forecast at the 1H announcement, it kept the initial dividend target. We expect business conditions to remain strong for the time being, but the Company appears to have decided to stick with the existing dividend stance and placed emphasis on increasing retained earnings because of numerous investments, such as cultivating a market for new HRPs and further development of new equipment and further M&A opportunities. We anticipate additional profit gains if the Company makes smooth progress in HRP market cultivation and orders expansion and a resulting rise in shareholder returns.

Earnings Per Share, Dividend, and Dividend Payout Ratio



Source: Prepared by FISCO Ltd. from the Company's materials

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