OHASHI TECHNICA, INC.

7628 Tokyo Stock Exchange First Section

26-Aug.-15

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FISCO Ltd. Analyst
Yuzuru Sato

Expected to continue to record higher sales and profits this fiscal period and plans to increase the dividend for the fourth consecutive period

Ohashi Technica, Inc. <7628> (subsequently, “the Company”) is an independent automotive parts manufacturer that provides products and services to about 400 Japanese automotive and automotive equipment manufacturers. It has built a structure for responding to customer needs through its Group’s manufacturing subsidiaries (factory solution) and through its collaborations with partner companies (fabless solution), and its strength is that this enables it to rapidly provide products that meet customer needs at the optimum quality and price. Through this approach, it is achieving a high rate of return compared to its peers in the automotive parts industry, with an operating income margin of approximately 10%.

In its FY3/15 consolidated results, the Company recorded a record high in operating income for the second consecutive fiscal period, with net sales rising 1.8% year on year (y-o-y) to ¥39,849mn and operating income 10.2% to ¥3,993mn. Despite a slight decline in production volume by the major Japanese automakers, which are its main customers, sales increased due to the acquisition of new orders and the effects of the weaker yen. Also, operating income grew by double digits thanks to factors including cost reductions and improvements to operational efficiency, in addition to the effects of the weaker yen.

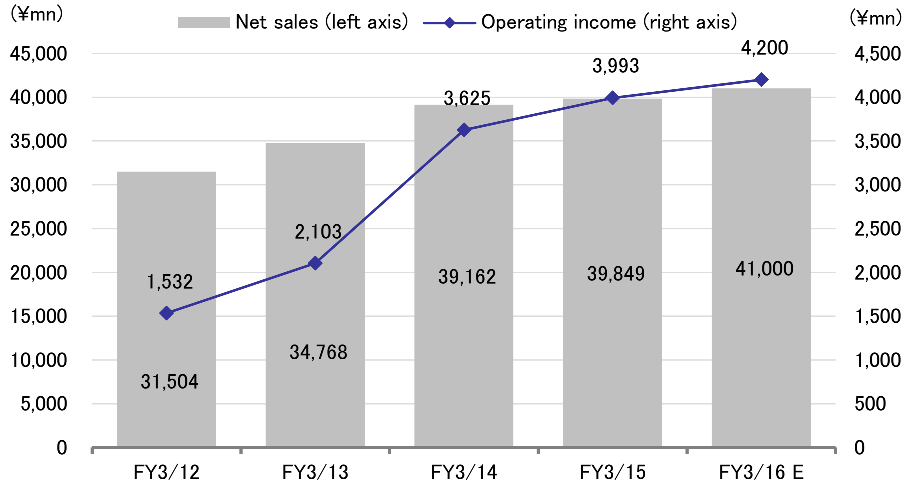
The forecast for FY3/16 is once again for higher sales and profits, with net sales expected to rise 2.9% y-o-y to ¥41,000mn and operating income 5.2% to ¥4,200mn. While the slump in automotive production within Japan is set to continue, in addition to the strongly performing North American market, the recovery of the previously slumping ASEAN market and the effects of the weaker yen will be the factors behind the improved results. Assuming an exchange rate of ¥115 to the dollar (compared to ¥105.85 to the dollar in the previous fiscal year), the weaker yen will increase net sales by approximately ¥1,000mn and operating income by around ¥100mn, which will be the main reasons for the higher sales and profits. In addition, more customers are adopting new products using the Company's solid state bonding technology, which is its proprietary technology, and this is also expected to contribute to profits.

Going forward, the Company will pursue policies to strengthen its global business structure; to bolster its factory solution, such as for the development of proprietary technologies; and to strengthen its fabless solution, including through capital participation, and its strategy is to improve profitability while increasing sales. In terms or returns to shareholders, its benchmark is for a dividend payout ratio around the 20% level, and for FY3/16, it is planning a dividend per share of ¥38.0 (for a dividend payout ratio of 20.7%), which is ¥5 increase y-o-y and will be the fourth consecutive fiscal year it has increased its dividend. In addition, as part of its overall capital policy, its approach is to investigate opportunities to acquire treasury shares as they arise.

Check Point

- Its operating income margin is top class within the automotive parts industry
- The third consecutive fiscal period of higher sales and profits and the second consecutive period of record profits
- Its share price rose about 1.5 times in the last year and it continues to attract interest as a company achieving stable growth

Trends in consolidated business results



Business Overview

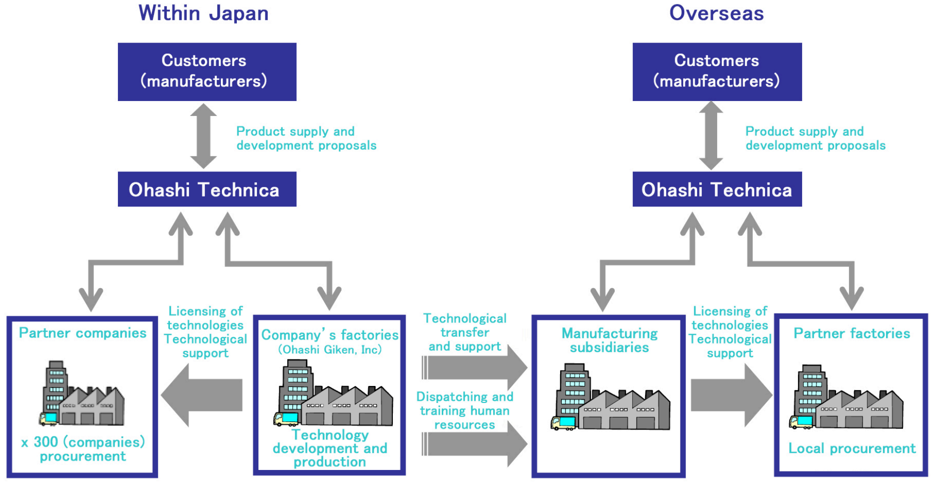
Its operating income margin is top class in the automotive parts industry

As an independent automotive parts manufacturer, approximately 99% of the Company's sales are from automotive engine and transmission parts, vehicle body assembly parts, brake parts, and related items. In addition, around 20% of its sales are from products manufactured at its subsidiaries in Japan and overseas (factory solution), while the remaining approximately 80% are from collaborations with its approximately 300 partner companies (fabless solution). In this way, it has constructed a "fabless & factory" business structure for sales to customers.

The Company's strength is that it is able to quickly grasp the variety of needs of its corporate customers that are generated during the new vehicle development stage and the model change stage. In addition, it operates consulting-style sales providing proposals that can contribute to its customers' VA and VE activities; specifically, it carries out planning, design, and development and then selects the supplier from among its own manufacturing subsidiaries and partner companies that is able to provide the required product at the optimum quality and cost.

The Company's operating income margin of approximately 10% ranks in the top class within the automotive parts industry. The reason for its high level is considered to be that it is highly evaluated by its customers for the value of its comprehensive services, which include these high value-added operating activities through to its delivery structure.

Diagram of the factory & fabless solutions business



Source: Prepared by FISCO from Company materials

The Company is developing its businesses through its one production subsidiary within Japan and six overseas (one in North America, three in China, and two in Thailand) and also its eight overseas sales companies (one in North America, three in China, one in Thailand, one in Mexico, one in the United Kingdom, and one in Taiwan). Within them, the Taiwanese subsidiary was newly established in April 2015 and functions as a procurement facility, mainly procuring products from local Taiwanese companies for the sales companies in Europe and North America. Previously, these sales companies in the United Kingdom and North America procured products directly from Taiwanese companies, but as the transaction volume has increased, the sales company was established in Taiwan to unify the point-of-contact with these companies. It is scheduled to start operations from the fall of 2015. In addition, in November 2014 TK Co., Ltd. was added to the Company's Group as an equity method affiliate. TK is the joint developer of the solid state bonding technology* and is also jointly filing for a patent for this technology with the Company.

* Solid state bonding technology: it is one type of welding technology for the bonding of parts made of different materials by adding pressure to the part to be processed, and applying pressure and resistance heat by passing an electric current using an electrode. For those areas where the parts must be bonded strongly, such as automotive transmission parts and engine control system parts, a feature of this technology is that it can mass produce parts that can maintain high strength only in the core areas where this strength is necessary through a simple manufacturing process. It is attracting attention as a manufacturing technology able to realize weight and cost reductions while still producing parts that retain the same level of strength as parts produced by conventional methods.

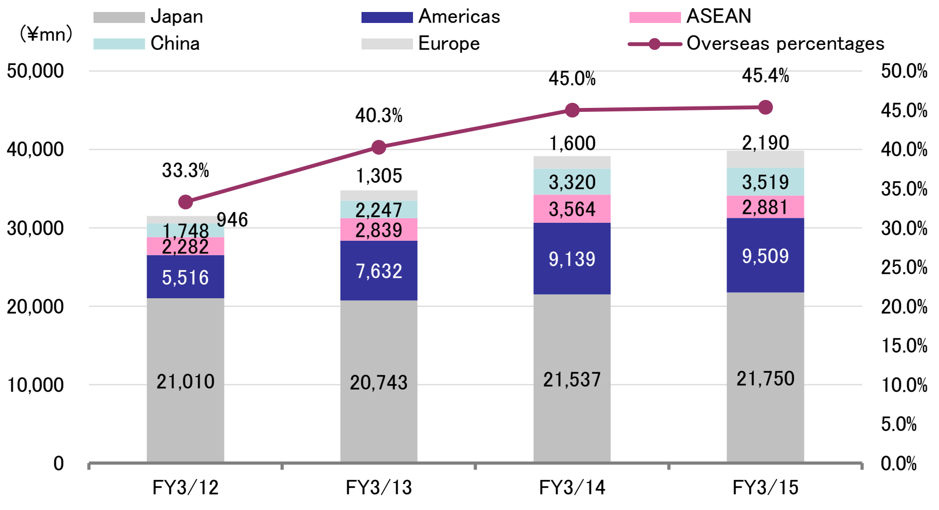
List of subsidiaries

Company name (consolidated subsidiary)	Country	Investment ratio	Business description	Details
Ohashi Giken, Inc	Japan	100.0%	Automotive - manufacturing	Precision cold forming stamping parts, precision cold forming heading parts, precision machining and grinding parts
Ohashi Technica U.S.A.	United States	100.0%	Automotive - sales	Sales of automotive parts
Ohashi Technica U.S.A. Manufacturing	United States	100.0%	Automotive - manufacturing	Cold forming heading parts Precision machining and grinding parts
Ohashi Technica Mexico	Mexico	100.0%	Automotive - sales	Sales of automotive parts
Ohashi Technica UK	The United Kingdom	100.0%	Automotive - sales	Sales of automotive parts
Ohashi Technica (Thailand)	Thailand	100.0%	Automotive – manufacturing and sales	Precision machining and grinding parts
Ohashi Sato (Thailand)	Thailand	60.0%	Automotive - manufacturing	Cold forming heading parts
Ohashi Technica Precision Parts (Shanghai)	China	100.0%	Automotive - sales	Sales of automotive parts
Ohashi Technica Precision Parts (Guangzhou)	China	100.0%	Automotive - manufacturing	Cold forming heading parts
Ohashi Nakahyo Precision Parts (Guangzhou)	China	70.0%	Automotive – manufacturing and sales	Precision stamping parts
Ohashi Technica (Shanghai)	China	100.0%	Other- manufacturing and sales	Hinges for mobile phones, hinges for mobile gaming devices
Ohashi Technica Taiwan	Taiwan	100.0%	Automotive - sales	Nuts, collars and pins, specialty parts
(Equity method affiliates)				
TK	Japan	33.8%	Automotive – manufacturing and sales	

Source: Company materials In addition, the Company has a logistics subsidiary within Japan, Ohashi Logistics.

The percentage of the Company's sales provided by its overseas facilities is increasing each year, reaching 45.4% in FY3/15. Within this percentage, the Americas provided approximately half, at 23.9%, followed by China at 8.8%, ASEAN at 7.2%, and Europe at 5.5%. Moreover, approximately one quarter of overseas sales are exports from Japan and the remainder are products manufactured by local subsidiaries and purchased sales from overseas partner companies. The Company's customers are approximately 400 Japanese automotive and automotive equipment manufacturers, and even overseas, its customers are the local subsidiaries of Japanese companies. Over the last several years, there have be no major changes to its top ranking customers and it delivers products to various manufacturers without a bias any one particular customer.

Net sales by region



The top ranking 10 major customers within Japan

Rank	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15
1	Hino Motors, Ltd.	Hino Motors, Ltd.	Hino Motors, Ltd.	Hino Motors, Ltd.	Hino Motors, Ltd.
2	DENSO CORPORATION	DENSO CORPORATION	DENSO CORPORATION	DENSO CORPORATION	Honda Motor Co., Ltd.
3	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.	DENSO CORPORATION
4	Nissan Motor Co., Ltd.	Nissan Motor Co., Ltd.	Nissan Motor Co., Ltd.	Toyota Motor Corporation	Isuzu Motors Limited
5	Aisin Seiki Co., Ltd.	Mitsubishi Fuso Truck and Bus Corporation	Toyota Motor Corporation	Isuzu Motors Limited	Toyota Motor Corporation
6	Toyota Motor Corporation	Aisin Seiki Co., Ltd.	Aisin Seiki Co., Ltd.	Nissan Motor Co., Ltd.	Takebe Co., Ltd.
7	Hitachi Automotive Systems, Ltd.	Toyota Motor Corporation	Isuzu Motors Limited	Mitsubishi Fuso Truck and Bus Corporation	Nissan Motor Co., Ltd.
8	Mitsubishi Fuso Truck and Bus Corporation	Isuzu Motors Limited	Mitsubishi Fuso Truck and Bus Corporation	Takebe Co., Ltd.	Mitsubishi Fuso Truck and Bus Corporation
9	Isuzu Motors Limited	Hitachi Automotive Systems, Ltd.	Takebe Co., Ltd.	Aisin Seiki Co., Ltd.	Aisin Seiki Co., Ltd.
10	TS TECH Co., Ltd.	Takebe Co., Ltd.	Hitachi Automotive Systems, Ltd.	Hitachi Automotive Systems, Ltd.	Mitsubishi Electric Corporation

Source: Company materials

Business Results Trends

The third consecutive fiscal period of higher sales and profits and the second consecutive period of record profits

(1) FY3/15 consolidated results

In the Company's FY3/15 consolidated results, net sales increased 1.8% y-o-y to ¥39,849mn, operating income 10.2% to ¥3,993mn, ordinary income 11.5% to ¥4,176mn, and net income 18.3% to ¥2,710mn. These results were basically in line with the Company targets that were upwardly revised in February. This marked the third consecutive fiscal period of higher sales and profits and the second consecutive period of records highs in operating income, ordinary income, and net income.

While the automotive production volume of the Company's main customers has been sluggish, it has been able to maintain the growth in sales through acquiring new orders and the effects of the weaker yen. Also, in addition to the progress made in costs reductions and improving operational efficiency, factors such as the increase in profits from overseas subsidiaries due to the weaker yen are contributing to the higher operating income margin, which rose 0.7 of a percentage point y-o-y to10.0%. This is the first time it has reached the 10% level since the Company started disclosing its consolidated financial statements in the fiscal year ended March 1999.

FY3/15 consolidated results

(unit: ¥mn)

	FY3/14		FY3/15				
	Result	Sales ratio	Company target	Result	Sales ratio	y-o-y	Change from target
Net sales	39,162	-	39,500	39,849	-	1.8%	0.9%
Gross profit	8,984	22.9%	-0	9,497	23.8%	5.7%	-
SG&A expenses	5,359	13.7%	-0	5,504	13.8%	2.7%	-
Operating income	3,625	9.3%	3,950	3,993	10.0%	10.2%	1.1%
(Financial revenues and expenditures)	47	-	-	64	-	-	-
Ordinary income	3,746	9.6%	4,100	4,176	10.5%	11.5%	1.9%
Extraordinary income/loss	-60	-	-	2	-	-	-
Net income	2,291	5.9%	2,700	2,710	6.8%	18.3%	0.4%

Note: Company targets are as of February 2015

Results by segment

(unit: ¥mn)

	Net sales			Operating income			Operating income margin	
	FY3/14	FY3/15	y-o-y	FY3/14	FY3/15	y-o-y	FY3/14	FY3/15
Japan	21,537	21,750	1.0%	1,836	2,037	10.9%	8.5%	9.4%
Americas	9,139	9,509	4.0%	869	975	12.2%	9.5%	10.3%
ASEAN	3,564	2,881	-19.2%	470	345	-26.5%	13.2%	12.0%
China	3,320	3,519	8.0%	402	505	25.4%	12.1%	14.4%
Europe	1,600	2,190	38.8%	100	209	108.9%	6.3%	9.5%
(internal adjustment)				(54)	(79)			
Total	39,162	39,849	1.8%	3,625	3,993	10.2%	9.3%	10.0%

(fiscal period average, vs. yen)

	Exchange rate		
	FY3/14	FY3/15	y-o-y
U.S. dollar	97.65	105.85	8.4%
Thai baht	3.18	3.26	2.5%
U.K. pound	152.7	174.21	14.1%
Chinese yuan	15.77	17.23	9.3%
Mexican peso	7.66	7.96	3.9%

Looking at net sales by region, within Japan they increased 1.0% y-o-y to ¥21,750mn. While the production volume of automakers declined, this was offset by factors such as the acquisition of new orders, and as a result sales increased. Overseas net sales rose 2.7% to ¥18,099mn. By overseas region, the North American automotive market was steady and the Americas' sales grew 4.0%. In addition, sales rose by 8.0% in China and 38.8% in Europe thanks to the acquisition of new orders and other factors. Conversely, the effects of the sluggish automotive production were felt in the ASEAN region, which recorded the only decline, with net sales down 19.2%.

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Looking at operating income by region, in Japan it increased 10.9% y-o-y, rose by 12.2% in the Americas, 25.4% in China, and 108.9% in Europe, meaning higher operating incomes were recorded in every region except for ASEAN. Within Japan, factors including cost reductions and productivity improvements in indirect departments contributed to the improved performance. In FY3/15, the subsidiary Ohashi Giken, Inc., successfully commercialized automotive steering parts by cold forming forging*. Also, its U.S. subsidiary newly introduced machining processing equipment, further strengthening its local production capabilities, and this contributed to the higher sales and profits.

* Cold forming forging: one type of metal forming process. The processing method of “forging” at normal temperatures is called “cold forming forging” (forging performed at high temperatures is called “hot forming forging”). The advantages of cold forming forging are that the processing time is reduced, it makes possible integrated processing, and is able to significantly cut costs through improved yield and a reduced number of parts.

The monetary effects of exchange rate fluctuations on results were ¥1,226mn on net sales and ¥155mn on operating income, which were major factors behind their respective increases.

The Company’s equity ratio is rising, and its debt-free management and improving financial conditions are continuing

(2) Financial status

Looking at the Company’s financial status at the end of FY3/15, total assets had increased ¥3,339mn from the end of FY3/14 to ¥34,891mn. The main factors behind this were the increases in cash and deposits and inventory in conjunction with the higher profits, and also an increase in tangible noncurrent assets due to higher capital investment in Japan and overseas.

Liabilities increased ¥56mn from the end of the previous fiscal period to ¥11,145mn, so were largely unchanged y-o-y, while net assets rose ¥3,282mn to ¥23,745mn. In addition to the rise in retained earnings, the main reason for this was the increase in the foreign currency translation adjustment following the depreciation of the yen. During the fiscal period, the Company acquired treasury shares (880,000 shares, ¥804mn) and it continues to practice debt-free management, and moreover its equity ratio rose from 63.6% at the end of the previous fiscal period to 66.9%, indicating that its financial status is continuing to improve.

Consolidated balance sheet

(unit: ¥mn)

	FY3/14	FY3/15	Change	Remarks
Current assets	23,815	26,785	+2,969	
Cash and deposits	10,642	12,510	+1,868	Due to the increase in profits
Inventory	4,836	5,755	+918	Due to the higher sales
Noncurrent assets	7,736	8,105	+369	
Tangible noncurrent assets	4,890	5,158	+268	Due to the capital investment in Japan and overseas
Total assets	31,551	34,891	+3,339	
Liabilities	11,088	11,145	+56	
Interest-bearing debt	-0	-	-	
Net assets	20,463	23,745	+3,282	
Retained earnings	15,583	17,859	+2,275	Due to the increase in profits
Treasury shares	▲228	▲901	▲673	Acquisition of ¥804mn of treasury shares
Foreign currency translation adjustment	736	2,320	+1,584	Due to the depreciation of the yen
Total liabilities and net assets	31,551	34,891	+3,339	

Note: amounts less than 1 million yen are rounded-off

Future Outlook

The outlook is for the higher sales and profits to continue due to factors including costs reductions and the effects of the weaker yen

(1) Business outlook for FY3/16

The FY3/16 consolidated business outlook is for higher sales and profits, with net sales up 2.9% y-o-y to ¥41,000mn, operating income up 5.2% to ¥4,200mn, ordinary income up 3.0% to ¥4,300mn, and net income up 3.3% to ¥2,800mn. The severe production conditions among Japanese automakers will continue in the first half of the fiscal year, but from the second half onwards, the effects of the weaker yen is expected to contribute to sales, in addition to the contributions of new orders and cost reductions. Assuming an exchange rate of ¥115 to the dollar, the weaker yen will increase net sales by approximately ¥900 to 1,000mn, and operating income by around ¥100mn (a depreciation of 1 yen to the dollar contributes ¥100mn to net sales and ¥10mn to operating income).

FY3/16 consolidated results outlook

(unit: ¥mn)

	FY3/15		FY3/16		
	Result	Sales ratio	Company target	Sales ratio	y-o-y
Net sales	39,849	-	41,000	-	2.9%
Operating income	3,993	10.0%	4,200	10.2%	5.2%
Ordinary income	4,176	10.5%	4,300	10.5%	3.0%
Net income	2,710	6.8%	2,800	6.8%	3.3%

(fiscal period average, vs. yen)

	Exchange rate		
	FY3/15	FY3/16	y-o-y
U.S. dollar	105.85	115.00	8.6%
Thai baht	3.26	3.50	7.4%
U.K. pound	174.21	175.00	0.5%
Chinese yuan	17.23	18.50	7.4%
Mexican peso	7.96	8.00	0.5%

Results outlook by segment

(unit: ¥mn)

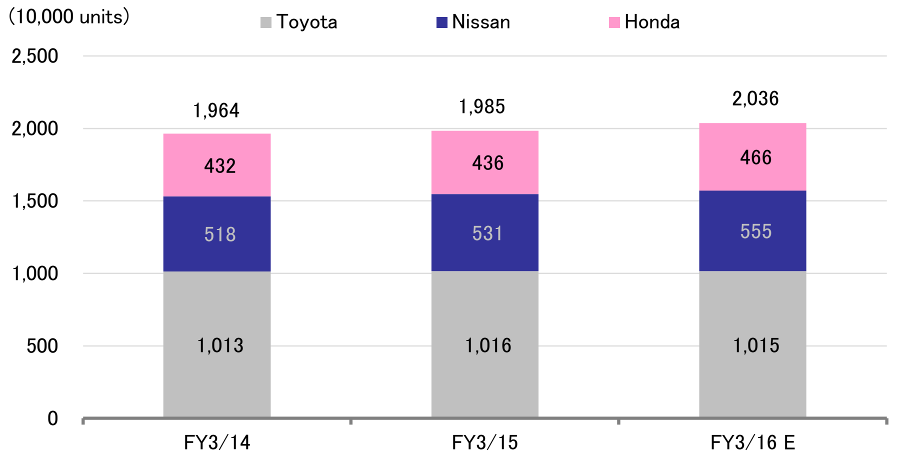
	Net sales			Operating income			Operating income margin	
	FY3/15	FY3/16	y-o-y	FY3/15	FY3/16	y-o-y	FY3/15	FY3/16
Japan	21,750	21,150	-2.8%	2,037	2,040	0.1%	9.4%	9.6%
Americas	9,509	10,700	12.5%	975	1,140	16.9%	10.3%	10.7%
ASEAN	2,881	3,100	7.6%	345	390	13.0%	12.0%	12.6%
China	3,519	3,800	8.0%	505	550	8.9%	14.4%	14.5%
Europe	2,190	2,250	2.7%	209	220	5.3%	9.5%	9.8%
(internal adjustment)				-79	-140			
Total	39,849	41,000	2.9%	3,993	4,200	5.2%	10.0%	10.2%

Looking at the outlook by region, net sales within Japan are forecast to decline 2.8% y-o-y, but operating income to increase 0.1%. While the decline in net sales will continue due to the reduction in the automotive production volume within Japan, the Company expects to maintain operating income at the same level as the previous fiscal year through cost reductions and improved operational efficiency.

Overseas, the Americas are expected to perform solidly, while signs of a recovery can be seen in ASEAN, and the acquisition of new orders and the effects of the weaker yen are also expected to contribute to higher sales and profits. Within the overseas regions, the Mexican sales company started full-scale operations from the second half of the previous fiscal year will contribute to sales in the Americas. The severe conditions are set to continue in the ASEAN and China markets, but in the second half of the fiscal year, large scale projects are forecast to contribute to sales in ASEAN, while increased production of car models using parts produced by the Company group is also planned in China. So for the full fiscal year, higher sales and profits are expected even on a local currency basis.

The FY3/16 sales targets of the three major Japanese automaker groups, which are the Company's main customers, are 20,410,000 units, which is a 2.8% increase y-o-y. Currently, while the North American market is strong, there are concerns about the sluggishness of the markets in China and Japan. But as the yen is depreciating more than anticipated, at FISCO we consider that the Company can achieve its targets on a profits basis.

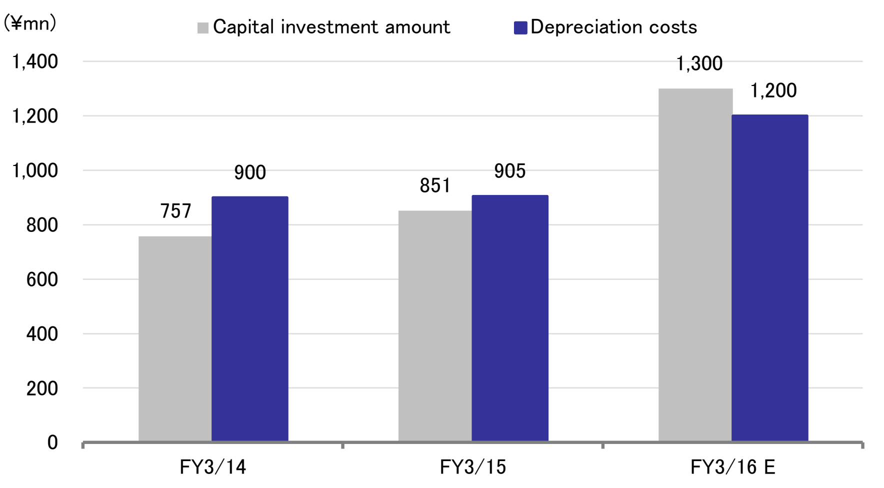
Trends in sales of three major Japanese automaker groups



Source: Values disclosed by the Company

The Company's FY3/16 capital investment target is an approximately 50% increase y-o-y to ¥1,300mn. Within this amount, ¥560mn will be allocated to Japan (¥360mn in the previous fiscal year), with ¥200mn scheduled for use mainly to update a mission-critical system and ¥200mn to update subsidiary equipment. For the remainder allocated to overseas of ¥740mn (¥491mn in the previous fiscal year), ¥200mn will primarily be invested in increasing the capacity of the Thai subsidiaries, while ¥100mn will be invested in enhancing equipment at the U.S. subsidiaries. It is also scheduled to be allocated to the costs of strengthening the manufacturing function in North America.

Trends in capital investment and depreciation costs



Aiming for further growth based on the "fabless & factory" foundation

(2) Growth strategy

Going forward, the Company is aiming to achieve further growth through bolstering its global business structure based on its "fabless & factory" foundation, building a manufacturing foundation by developing proprietary technologies, and further improving its competitiveness by strengthening its relations with its partner companies.

It is strengthening its fabless solution overseas to bolster its global business structure, including through the start of fully fledged operations at its Mexican sales subsidiary in 2014 and the establishment of a subsidiary in Taiwan in April 2015 as a procurement base. In North America also, it is aiming to strengthen its manufacturing function and to respond to the global business developments of Japanese automakers, which are its customers.

In terms of its proprietary technological developments, demand for parts that use the Company's solid state bonding technology is expected to increase in the future. A growing number of customers are adopting parts using this technology, which helps to achieve reduced vehicle weight and cost reductions. Its net sales are forecast to grow from ¥1,500mn in FY3/15 to ¥2,000mn in FY3/16, while in the medium term the Company is aiming for sales in the range of ¥3,500mn to ¥4,000mn. This product was jointly developed with and is mass produced by TK Co., Ltd., into which the Company made a capital contribution in the previous fiscal period, and it is looking toward its overseas deployment in the future. It is possible that it will further expand the Group through capital participation, including by the licensing of technologies to other partner companies.

The Company is also expanding the production capacities of its various manufacturing subsidiaries to match demand, while it is also working to improve the sales cost ratio by developing proprietary processing technologies. Currently, about 20% of net sales are from products manufactured within the Group, but in the future this percentage is expected to increase in conjunction with the expansion of its overseas manufacturing bases. However, due to the recent depreciation of the yen, rather than local production at overseas facilities, there are cases starting to appear in which it is more cost effective to respond to demand by exporting from Japan. Therefore, the Company is adopting a cautious policy with regards to strengthening its overseas manufacturing foundation by keeping a close watch on exchange rate fluctuations.

In the future, the Company's target customers will remain the same, mainly the major Japanese automakers. This is because there is still room for the Company to grow simply by expanding its share of transactions with its existing customers. In addition, its operating income margin reached the 10% level in the previous fiscal year, and if its sales scale expands in the future, the resulting reduction in the SG&A expenses ratio can be expected to raise this percentage even higher.

In terms of its M&A strategy, the Company investigates candidate companies from which synergies can be expected, such as to strengthen the manufacturing function and expand sales channels. But for the time being, we foresee instances of it conducting capital participation with the objective of strengthening relations with its partner companies.

Comparison with Industry Peers and the Shareholder Return Policy

Its share price rose about 1.5 times in the last year and it continues to attract interest as a company achieving stable growth

(1) Comparison with industry peers

Against the backdrop of its strong corporate performance, the Company's share price rose by about 1.5 times in the last year, but since entering 2015, it has trended narrowly around the ¥1,600 range. Below, it is compared to its industry peers from the perspective of corporate value. While there are no other companies deploying a "fabless &factory" business model like the Company, 10 industry peer electrical-parts manufacturers were chosen for the comparison, as like the Company they primarily deal with engine and related parts, and they are also medium-sized companies.

List of share price indicators for medium-sized automotive engine part manufacturer

Code	Market	Name	Market capital	Share price	Expected PER	PBR	Expected ROE	Expected ROA	Expected dividend yield	Expected ordinary income margin
			(¥mn)	(¥)	(times)	(times)	(%)	(%)	(%)	(%)
7628	TSE 1st section	Ohashi Technica	23,405	1,541	8.4	1	12	12.3	2.50%	10.50%
6461	TSE 1st section	NIPPON PISTON RING CO., LTD.	17,423	212	11.6	0.6	4.9	3.1	2.80%	4.00%
6319	TSE 1st section	SNT Corporation	15,178	581	12.1	0.5	4.4	5.5	2.40%	10.50%
7299	TSE 2nd section	FUJI OOZX Inc.	10,972	534	11	0.5	4.3	4.4	1.90%	7.10%
7235	TSE 2nd section	TOKYO RADIATOR MFG. Co., Ltd.	9,712	675	8.1	0.5	6.6	6.2	1.20%	6.10%
7264	JQS	Muro Corporation	8,352	1,350	6.9	0.7	10.6	10.3	2.20%	9.80%
5994	TSE 2nd section	Fine Sinter Co., Ltd.	7,617	346	10.9	0.4	4.5	3	2.90%	3.00%
7271	TSE 1st section	YASUNAGA CORPORATION	6,843	572	n.m	0.6	-0.7	0.9	1.40%	0.90%
6467	JQS	NICHIDAI CORPORATION	6,680	738	7.5	0.6	9.4	8.3	2.70%	8.60%
7214	TSE 1st section	GMB Corporation	6,452	1,238	12.9	0.2	2.2	2.3	3.20%	2.20%
10 company average values			89,228		10.9	0.5	4.4	4	2.30%	4.50%

Note: Share prices are the final values on July 10, 2015. The number of shares was calculated based on the number of outstanding shares at the end of the most recent fiscal period (excluding treasury shares). Expected values are this fiscal period's targets for companies. ROE and ROA were calculated based on shareholders' equity and total assets.

First, in terms of the expected PER in this fiscal period, the average for the 10 companies is 10.9 times, while the Company's value is at a level slight below the average, at 8.4 times. Conversely, the average for the PBR (price-to-book-value ratio) is 0.5 times compared to the Company's 1.0 time, and it has a share price evaluation comparable to its net assets. Its ROE (return on equity) of 12.0% greatly exceeds the average of 4.4%, while its ordinary income margin of 10.5% is also higher than the average of 4.5%. Based on these indicators, the Company's capital efficiency and profitability can be highly evaluated.

In the future, the Company can be expected to achieve growth above the industry average through developing its businesses while utilizing its strengths, which are its "fabless & factory" proprietary business model and its independence. Moreover, as it has a sound financial position, practices debt-free management, and is highly resistant to the impact of a recession, it can be expected to continue to attract attention as a company achieving stable growth.

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Based on a stable dividend, it increases dividends to reflect improved results, and this fiscal year plans to pay a higher divided for the fourth consecutive period

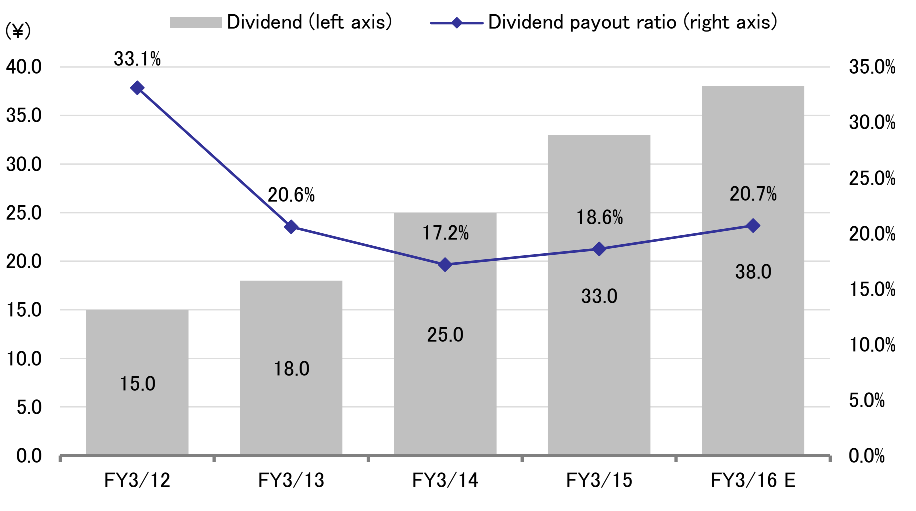
(2) Shareholder return policy

For its shareholder return policy, the Company has introduced a shareholder special benefit plan, in addition to paying dividends. While based on a stable dividend, its policy is to increase the dividend to reflect improved results, aiming for a benchmark dividend payout ratio of around 20%. In FY3/16, it plans to pay a higher dividend for the fourth consecutive fiscal period, with a dividend per share of ¥38.0, which is an increase of ¥5 y-o-y (for a dividend payout ratio of 20.7%).

The Company also provides shareholder special benefits. For shareholders holding more than 100 shares, twice a year it presents them with rice gift certificates, with the number of gift certificates corresponding to the number of shares held (given to shareholders at the end of March and September). It presents shareholders with one gift certificate (1kg at a value of ¥440) for each 100 shares held, but a feature of its special benefits plan is its focus on developing long-term shareholders by providing an additional certificate to shareholders who have continuously held their shares for more than three years. Therefore, shareholders who have held 100 shares for more than three years will receive a total return on investment of around 3.6% based on the current share price (¥1,541 as of July 10).

Other than the above, the Company is aiming to improve its corporate value and as part of this it has positioned ROE (return on equity) and DOE (dividend on equity) as important management indicators. It is working to improve these indicators and as a part of these efforts has demonstrated a policy of flexibly acquiring treasuring shares.

Dividend per share and dividend payout ratio



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Consolidated income statement

(unit: ¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16 E
Net sales	31,504	34,768	39,162	39,849	41,000
Cost of sales	24,891	27,588	30,177	30,352	-
Gross profit	6,613	7,180	8,984	9,497	-
SG&A expenses	5,080	5,076	5,359	5,504	-
Operating income	1,532	2,103	3,625	3,993	4,200
Non-operating income	88	102	151	189	-
Non-operating expenses	93	107	30	7	-
Ordinary income	1,527	2,097	3,746	4,176	4,300
Extraordinary income	1	159	3	5	-
Extraordinary loss	32	2	63	2	-
Income before income taxes and minority interests	1,496	2,254	3,686	4,178	-
Income taxes	786	895	1,388	1,457	-
Minority interests	2	-6	5	10	-
Net income	708	1,364	2,291	2,710	2,800
Growth rate (%, y-o-y)					
Net sales	-3.3	10.4	12.6	1.8	2.9
Operating income	-19.5	37.2	72.4	10.2	5.2
Ordinary income	-19.5	37.3	78.6	11.5	3.0
Net income	-29.5	92.6	67.9	18.3	3.3
Margin (%)					
Gross profit	21.0	20.7	22.9	23.8	-
SG&A expenses	16.1	14.6	13.7	13.8	-
Operating income	4.9	6.0	9.3	10.0	10.2
Ordinary income	4.8	6.0	9.6	10.5	10.5
Net income	2.2	3.9	5.9	6.8	6.8

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