

Helios Techno Holding

6927 Tokyo Stock Exchange
First Section

12-Jan.-16

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
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■ The manufacturing equipment business is driving results and China is the main business market

Helios Techno Holding <6927> is a holding company formed in 2009 as a result of a business integration and business acquisition undertaken by the former PHOENIX Electric Co., Ltd. It is now a pure holding company following a corporate split. The Company has four businesses; the lamp business, the manufacturing equipment business, the inspection equipment business, and the human resources service business.

In FY3/16 1H, the Company achieved major gains in both sales and profits, with net sales increasing 32.7% year on year (YoY) and operating income rising 559.9%. In net sales, deliveries of manufacturing equipment for LCD panels to China proceeded as targeted. Operating income exceeded the target by ¥330mn (66.0%), which was due to greater than anticipated cost reductions. The outlook for the FY3/16 full year is for a major increase in net sales to ¥26,500mn (up 78.8%), due to the expected recording in sales in 2H of a large project worth ¥11,700mn.

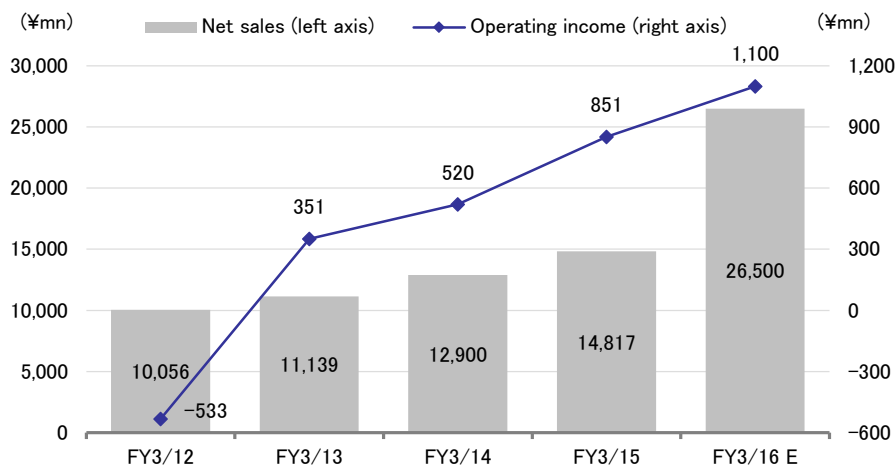
It is highly likely that in FY3/17, sales will decrease but profits increase due to the decline following the previously mentioned recording of sales for a major plant project. This major project was a special one-off project and should not be considered to be on-going. However, what is important for the Company's results is that it can be expected to achieve stable growth from its accumulation of orders for ordinary-sized projects. Moreover, based on the current situation of the active investment in LCD in China, it is fully possible that there will be other orders for major projects. In terms of profits, as sales growth is expected for the highly profitable manufacturing equipment, at FISCO we think that the trend of increasing profits will continue and that the Company will completely absorb the impact of the absence of sales from the major project.

The driving force behind the Company's results is its manufacturing equipment business. China is the main market for this business and its performance is determined by investment in LCD panels' manufacturing lines and LCD panels' production trends in this country. Globally, the LCD panels market is considered to be reaching maturity, but if limited to China, the shift to production sites in this country is continuing as before and both capital investment and production trends are active. The Company is also currently progressing sales discussions for 2017 and there are few causes for concern at the present time. Instead, in the meantime attention will be focused on its development of next generation growth areas.

■ Check Point

- Profit levels are being maintained, driven by light sources for photolithography equipment and LED products
- Demand to upgrade to dedicated lamps for MLS, a high value-added product, is expected
- FY3/16 1H net sales were as targeted, but each income item greatly exceeded their respective target

Business Performances



■ Trends by business segment

Has Operations in the Four Platforms of the Lamp Business, Manufacturing Equipment Business, Inspection Equipment Business, and Human Resources Services Business

(1) History and operational overview

Helios Techno arose from PHOENIX Electric Co., Ltd., which had been established by engineers spun-out from USHIO INC. <6925>. The main products are halogen lamps and the Company's current lamp business originated from the business of the former PHOENIX Electric.

However, the appreciation of the yen in the wake of the Plaza Accord and the price competition against cheap Chinese products brought about a decline in business conditions of the former PHOENIX Electric. In 1995, the company filed 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 current president and representative director 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 and the lamp business transferred to it. Nippon Gijutsu Center carried out a manufacturing industry dispatch business and machinery manufacturing business, which subsequently became the current human resources services business and inspection equipment business respectively. Also, at the same time, facilitated by an introduction from Mr. Nakamura of NAMCO, the Company was referred to Nakan Techno Co., and received the transfer of its machinery business. These events brought the manufacturing equipment business to its current state.

Following the above-described sequence of events, currently the Company has four businesses—the lamp business, the manufacturing equipment business, the inspection equipment business, and the human resources services business—and three main subsidiaries—PHOENIX Electric, Nippon Gijutsu Center, and Nakan Techno—that conduct the respective businesses.



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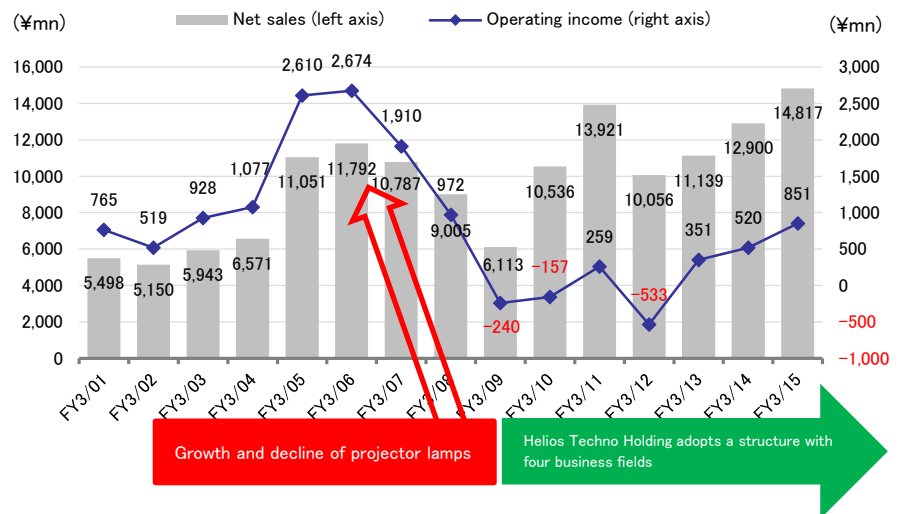
12-Jan.-16

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 resources dispatch services. Merged with KANSAI GIKEN Co., Ltd. in 2013.	Industrial equipment (such as inspection equipment), design business, IT business, technician dispatch and human resources services.	Inspection equipment business, human resources services 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 resources services, home nursing care services, daytime nursing care services	Human resources services business

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

Business Structure Changes and Long Term Earnings Trends



Source: The Company's financial reports summary

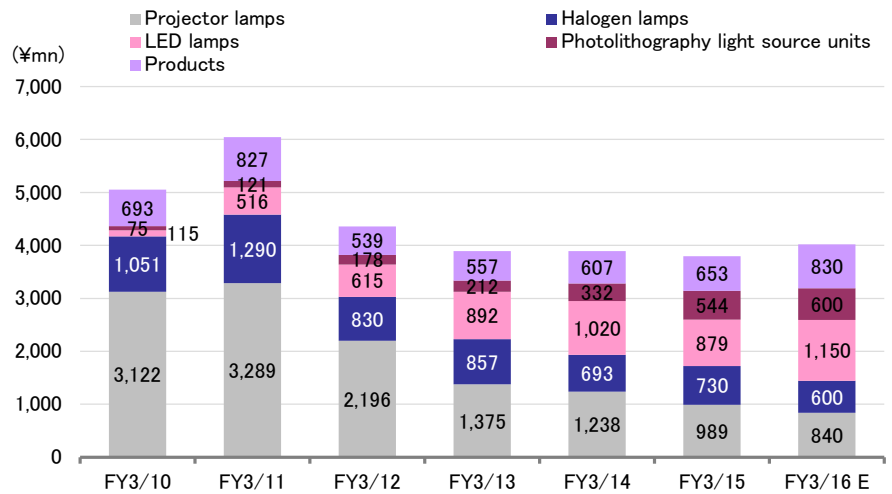
Profit levels are being maintained, driven by light sources for photolithography equipment and LED products

(2) Lamp Business

a) Description of the lamp business

The lamp business is conducted by two companies, PHOENIX Electric and Lux Co, the sales company. Lamps can be variously categorized according to the type of light source and usage, but currently the Company's products are divided into the five product types; projector lamps, halogen lamps, products, LED lamps, and light sources for photolithography equipment.

Lamp Sales by Type



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

Up to five to six years ago, projector lamps were the Company's 'cash cow.' This was due to the rapid growth in sales at the start of the 2000s, centered on the United States, for rear-projection projectors for use as large-screen TVs. However, the mainstream product for large-screen TVs quickly shifted to LDC TVs, and so currently demand for projector lamps is mainly replacement demand, and sales temporarily shrunk to as low as one quarter of their previous scale.

The main use of halogen lamps, products, and LED lamps is lighting for stores and similar locations. As is evident from past trends, the mainstay products have shifted to LED products. The Company purchases LED chips from external suppliers and manufactures lighting products, while up to the present time, it has completed its lineup of replacement products.

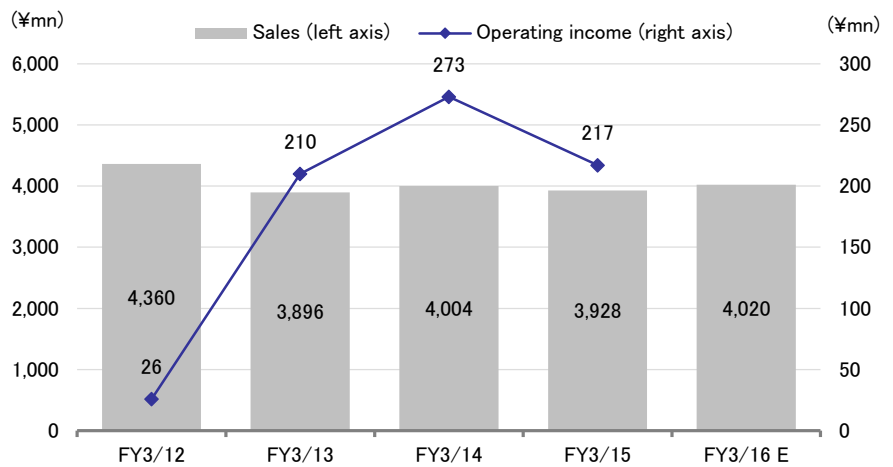
Within the lamp business, light sources for photolithography have followed the same growth path as LED products. The Company manufactures and sells light sources for photolithography equipment for manufacturing the color filters for LCD panels. In terms of new equipment, it is shipping its "light source unit (multi-lamp system: MLS)," which integrates the light source (lamps) and the light-source housing, to photolithography equipment manufacturers. It is also selling the light source only for existing manufacturing equipment for supplementary use. There is currently an oligopoly of two companies for manufacturers of photolithography equipment for color filters, and the Company sells the unit as new equipment and the light source for supplementary use to one of these companies.

b) Results trends in the lamp business segment

Since the relaunch as Helios Techno Holding, recent net sales in the lamp business peaked in FY3/11, at ¥6,043mn. The subsequent slump in projector lamp sales is being covered by the growth in LED products and light sources for photolithography, and sales continue to trend around ¥4,000mn.

In FY3/16 in the lamp business segment, the Company is forecasting net sales of ¥4,020mn (up 2.3% YoY). The initial forecast was ¥5,075mn, but it was subsequently downwardly revised. In addition to downwardly revising net sales forecasts for each of its lamp products, at FISCO we think that as a whole, the shift from 1H to 2H of a large order for LED lighting for the upgrade of store facilities that the Company received from a major amusement operator will have a major impact.

Earnings in the Lamp Business



Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing materials

In terms of the future of the lamp business, at FISCO we think its reliance on light sources for photolithography equipment will increase. The demand driver for these products is investment in LCD panel manufacturing lines and the production volume of LCD panels in China. Although according to a recent survey the global demand for LCD TVs appears to have plateaued, the trend of shifting production areas to China is still strong, so active investment in the manufacturing lines for LCD panels within China is continuing. An important point here is the major impact this has on the manufacturing equipment business, which will be described later. For light sources for photolithography, the Company has several confirmed orders for FY3/16, and with regards to FY3/17 and FY3/18 also, each year it has sales discussions for around four or five orders for major projects. We think that light sources for photolithography equipment and LED products will drive results in the Company's lamp business, and that it will maintain its current level of profits.

Targeting sales of touch panel manufacturing equipment as a new field

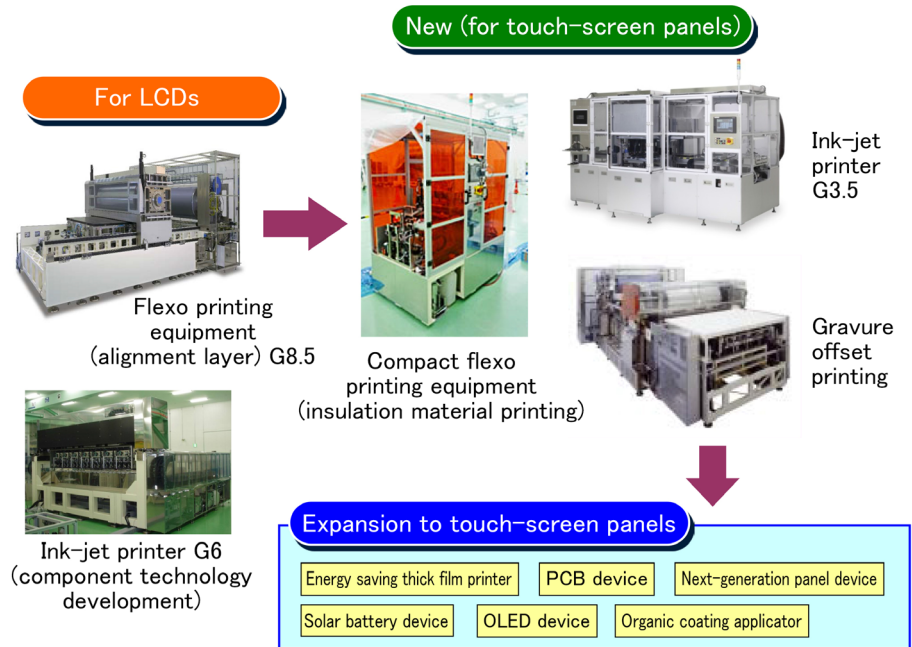
(3) Manufacturing Equipment Business

a) Description of the manufacturing equipment business

When looking at the segments, it is apparent that the manufacturing equipment business is the Company's core earnings business and in addition, it will be the main factor causing significant upward or downward movement in net sales from FY3/15 to FY3/17.

The subsidiary Nakan Techno handles the manufacturing equipment business. This business segment applies various types of printing technologies to manufacture and sell manufacturing equipment for components, including LCD displays and touch panels. Currently, the Company manages the manufacturing equipment business by dividing it into four sub-segments; "flexo printing equipment," "plants," "new equipment (high-resolution printers (HRP)), and "other."

Manufacturing Equipment Business Examples



Source: 1H FY3/15 financial reports briefing materials

The main product in flexo printing equipment is LCD panel alignment layer manufacturing equipment. The two types of alignment layer manufacturing equipment are those using flexo printing technology and those using inkjet printers, but currently the Company is the only manufacturer of alignment layer manufacturing equipment using flexo printing technology. Each of the two types have advantages and disadvantages, but alignment layer manufacturing equipment using flexo printing is considered superior in the region up to the 8.5 generation of glass size. The Company has also completed the development of the underlying technology for alignment layer manufacturing equipment using inkjet printers.

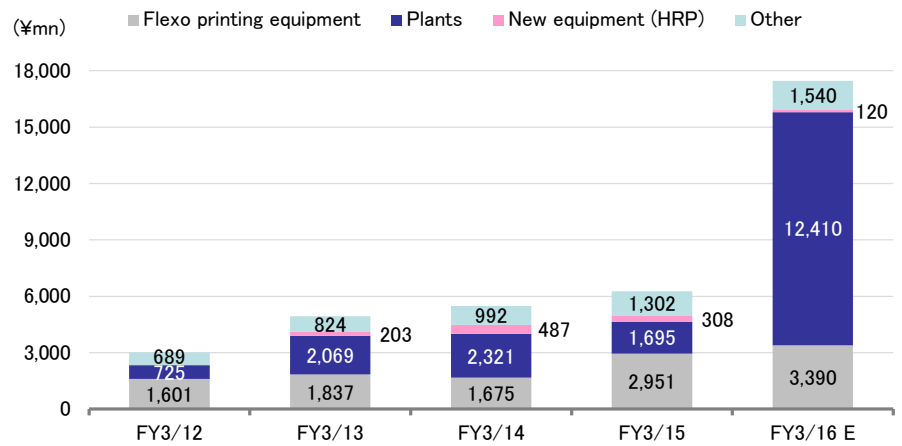
In terms of new equipment, the Company provides products that utilize various technologies, including inkjet printers, gravure offset printing, and flexo printing, for use as touch panel manufacturing equipment. HRP, which stands for High Resolution Printer, is necessary for the wiring processing for high definition in the manufacture of touch panels.

Different to two sub-segments described above, the plants business is for the relocation of used LCD and touch panel manufacturing equipment. The basic business model is that the Company purchases used manufacturing equipment in countries like Japan and Taiwan and sells them to manufacturers in China. The Company undertakes all of the work, from transporting the used manufacturing equipment to China up to installing it in the local factory, so this business carries a fair amount of risk. Moreover, due to the business practices of Chinese companies, for example the difficulty in collecting payments from them, generally speaking it is a high-risk business. The Company's handling of used manufacturing equipment began with the establishment of Nakan Techno, and the background to this is that Nakan Techno President and Representative Director Mr. Yoshihisa Sato possesses a strong personal network in China. While it depends on him as an individual, by participating in this business throughout utilizing Mr. Sato's personal contacts, the Company lowers the risk for this high-risk business and also differentiate itself from competitors and build barriers to entry.

The products handled in the plants business are mainly LCD and touch panel manufacturing equipment, but the Company has indicated its intention to handle semiconductor manufacturing equipment (specifically, photolithography equipment such as steppers or scanners) in the future. Even for used products, the price of semiconductor-use photolithography equipment is in the region of several billion yen, so it is hoped this product will have a major impact on earnings. However, as the fine processing required for semiconductors is on a completely different level to that required for LCD and tablets, the technological level needed for the transportation and installation of this used equipment is also much higher, and this alone increases the business risk. At FISCO, we think that an appropriate stance is to avoid having excessive expectations for the start of the Company's handling of semiconductor manufacturing equipment at an early stage, and instead to keep a watch on developments in the future.

“Other” includes sales of consumables used in flexo printing equipment (flexo printing plates), and work for the maintenance, repairs, and improvement of existing manufacturing equipment. Maintenance and improvement work has grown rapidly in the past few years. The background to this is that the cumulative sales of the Company's manufacturing equipment have sometimes greatly exceeded 50 units. Maintenance and improvement work is highly profitable as a business, and going forward, the Company expects it to grow to be an important source of earnings.

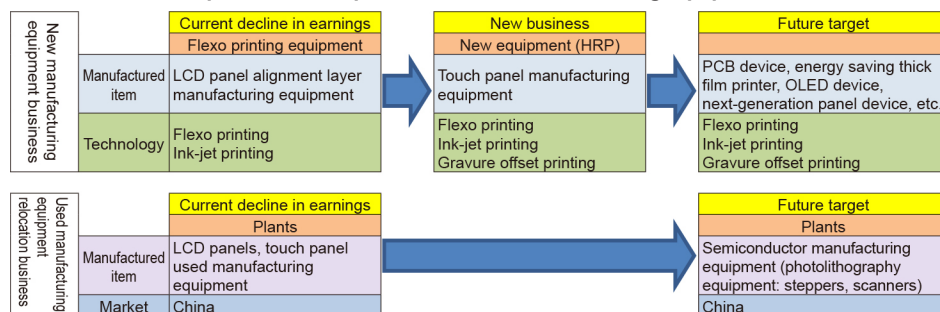
Sales by Product in the Manufacturing Equipment Business



Source: Prepared by FISCO from the financial reports briefing materials

To summarize the manufacturing equipment business, broadly speaking it is divided into new manufacturing equipment and used manufacturing equipment. In new manufacturing equipment, currently the main product is LCD manufacturing equipment using flexo printing (alignment layer manufacturing equipment), while the Company is also targeting sales of touch panel manufacturing equipment as a new field. For the future, it has in its sights energy-saving pressure membrane printing equipment and PCB equipment, although these products will likely take some time. As previously explained, the used equipment business is centered on sales of LCD manufacturing equipment to China. The Company is looking into handling photolithography equipment for the manufacture of semiconductors in the future, but this will also likely take some time.

The roadmap for the main products in the manufacturing equipment business

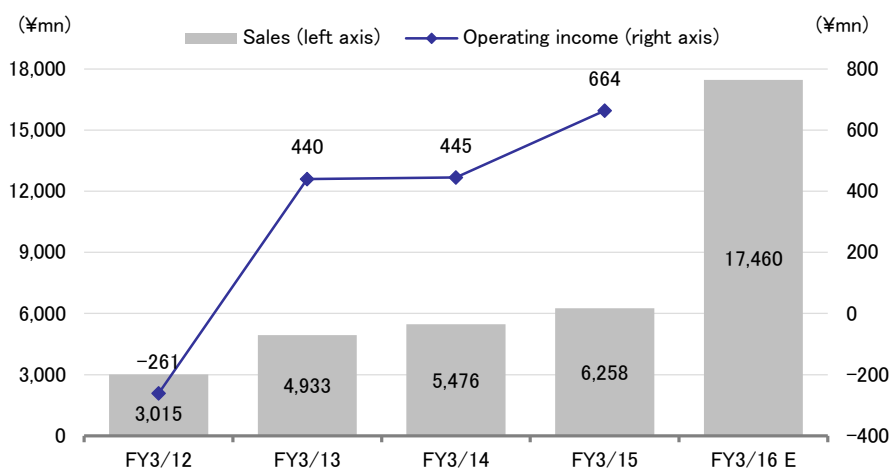


Source: Prepared by FISCO from the Company's FY3/16 1H financial reports briefing materials

b) Results trends in the manufacturing equipment business segment

In FY3/16 in the manufacturing equipment segment, net sales are forecast to be ¥17,460mn (up 179% YoY). This is due to the forecast recording of sales in the current period of an extremely large project worth ¥11.7bn in the plants segment that handles used manufacturing equipment. However, the contribution to profits of this major project will probably not be that large, as profits are greatly pressured by factors like the differences in the estimates for logistics costs. At FISCO, we estimate that the contribution to profits of this major project will only be in the range of ¥100mn to ¥200mn.

Earnings in the Manufacturing Equipment Business



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

In the medium term, we consider that manufacturing equipment will continue to serve as the backbone of the Company's earnings. In addition to the steady growth of the businesses for existing alignment layer manufacturing equipment and used LCD manufacturing equipment, sales of manufacturing equipment for touch panels are expected to expand moderately. Further, it is also anticipated that sales of maintenance and improvement work and consumables will steadily increase. Maintenance demand is generated not only for the Company's products, but also for the used manufacturing lines handled by the Company, so the performance is decided by the accumulated number of deliveries previously made. With regards to consumables also, for the mainstay printing plates, a mass production system has been established compliant with the G8 (8th generation) plate by using a new manufacturing process, and growth to the next stage is expected in the future.

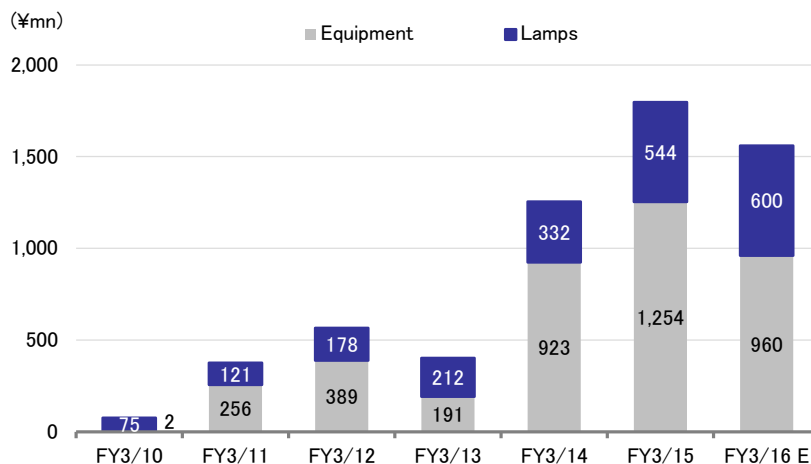
In the short term, there is one item to be aware of in the FY3/17 results. This is the absence of an extremely large project in plants which has been scheduled to be recorded as ¥11.7bn of sales in FY3/16. At FISCO, we do not consider this to be a cause for concern. As previously explained, the contribution to profit of this major project is expected to be only in the range of ¥100mn to ¥200mn, and we consider it likely that the higher sales of other manufacturing equipment will be able to sufficiently cover for this contribution to profit.

Demand for upgrades to dedicated lamps for MLS, a high value-added product, is expected

(4) Inspection Equipment Business

The inspection equipment business is operated by Nippon Gijutsu Center. Since the past, this company has also operated the human resources services business and the inspection equipment business (further details of the human resources services business are provided below). Currently, the main product in the inspection equipment business is primarily light source units for photolithography equipment used in LCD color filter manufacturing. It also sells integrated units of light source lamps and light source housing to photolithography equipment manufacturers. Sales of units can be separated into sales of the light sources and sales of the housing, with sales of light sources included in the lamp business and sales of the housing units in the inspection equipment business.

Sales of Light Source Units for Photolithography Equipment



Source: Prepared by FISCO from the financial reports briefing materials

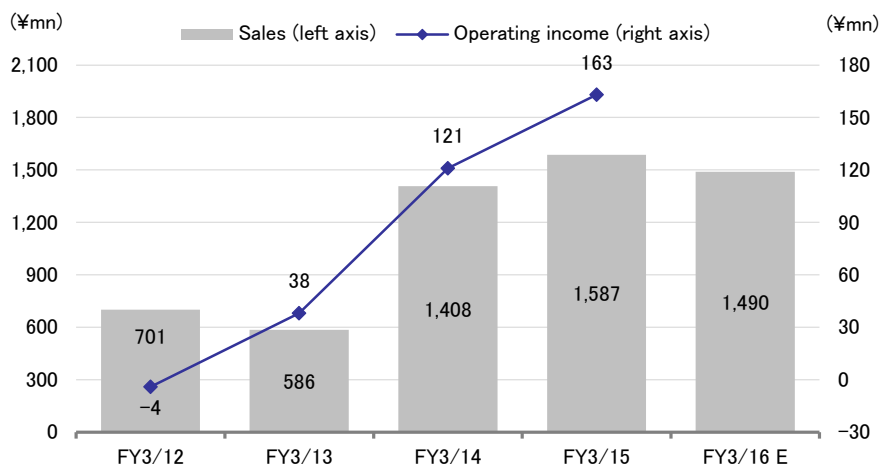
In sales of light source units for photolithography (MLS) in FY3/16, net sales of housing equipment are forecast to be ¥960mn, which is a slight downward revision from the initial forecast. As previously explained, investment in LCD manufacturing lines in China, which is the Company's main market, continues to be active. There are a number of confirmed orders for major projects in 2015 and currently the Company is conducting sales discussions for projects up to 2017.

As the inspection equipment business will expand further in the medium term, one issue will likely be how to realize synergies with the manufacturing equipment business. In combination with the strengthening of measures for touch panel manufacturing equipment in the manufacturing equipment business, the Company had developed and was supplying automatic external appearance inspection equipment for touch panels in the inspection equipment business. However, this product appears to have been suspended and we are now waiting for the next development project.

The forecast for net sales in FY3/16 is ¥1,490mn (down 6.1% YoY). Based on the expected decline in sales in MLS, the forecast for the segment as a whole is also for a decline in sales. The Company has not disclosed profit forecasts, but it is possible that profits will also decline due to the anticipated fall in sales of MLS, its core product. However, we think that net sales themselves will remain at a high level and that the Company will achieve an operating profit.

The important point to consider in the inspection equipment business is not the current results, but the expectations for upgrade demand that will be generated in the medium- to long-term for the high value-added product of dedicated lamps for MLS. The accumulation of sales of MLS units will have a direct and major effect on upgrade demand in the future. In addition to the fact that net sales of MLS have maintained a level of around ¥1,500mn for the last few years, demand for this equipment is also expected to strengthen in the future. At FISCO, we consider that the inspection equipment business will begin to demonstrate its true value in three to five years.

Earnings in the Inspection Equipment Business



Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing materials

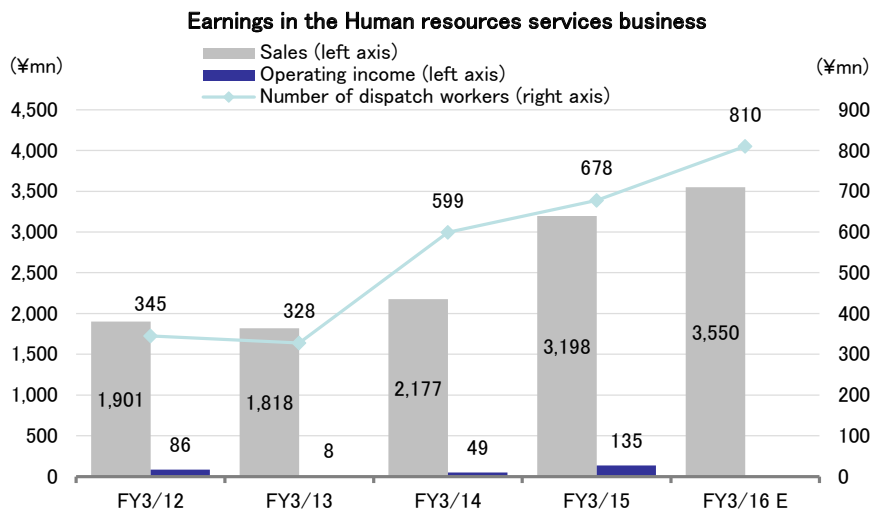
Policy is to strengthen the human resources services business based on the strong demand for temporary staff

(5) Human Resources Services Business

Alongside the inspection equipment business, the human resources services business is operated by Nippon Gijutsu Center. Nippon Gijutsu Center has been working to expand the scope of the human resources services business through M&As. It 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 the dispatch of equipment manufacturing engineers and temporary staff, design subcontracting, and also a nursing care business.

Based on the strong demand for temporary staff, going forward the Company's policy is to strengthen its human resources services business. It is looking to expand this business through M&As, the same as it has done up to the present time, and its stance is to actively investigate an M&A if there is a suitable candidate.

In results, the progress made in this business in improving the operating income margin in FY3/15 should be noted. Fluctuations in profitability in the human resources services business are relatively large because of factors like the generation of prior investment costs in order to actively search for candidates to expand the scale of this business. But even so, it can be positively evaluated on the point that it has steadily maintained profits by expanding its scale. The forecast for net sales in FY3/16 is ¥3,550mn (up 11.0% YoY).



Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing material

■ Performance Trends

FY3/16 Q2 net sales were as targeted, while each income item greatly exceeded their respective target

(1) Financial Results for FY3/16 1H

The Company achieved major gains in both sales and profits in FY3/16 1H, with net sales of ¥7,438mn (up 32.7% YoY), operating income of ¥830mn (up 559.9%), ordinary income of ¥826mn (up 825.4%), and net income of ¥564mn (up 195.1%). Compared to targets, net sales were basically as targeted, but each income item from operating income down greatly exceeded their respective target.

Summary of FY3/16 1H

	FY3/15		FY3/16 1H		
	1H	Results	Initial target	Change	vs. target
Net sales	5,604	7,438	7,470	32.7%	-0.4%
Operating income	125	830	500	559.9%	66.0%
(Operating income margin)	2.2%	11.2%	6.7%	-	-
Ordinary income	89	826	490	825.4%	68.6%
(Ordinary income ratio)	1.6%	11.1%	6.6%	-	-
Net income	191	564	310	195.1%	82.2%
(Net income ratio)	3.4%	7.6%	4.1%	-	-

Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing material

The Company's earnings are centered on the manufacturing equipment business managed by Nakan Techno. More than 90% of the customers in this business are in China, so while there were concerns about the effects of the slowdown in economic growth in this country, ultimately it had no effect. Also, while the Company's reliance for earnings on LCD panels, particularly for use with TVs, is increasing, on this point also the production of LCD TVs in China continues to be active. The main factor behind the upside in profits was that while the results forecasts in the manufacturing equipment business were made based on strict cost estimates, the Company achieved cost reductions even greater than anticipated.

According to segment, due in part to the previously described factors the manufacturing equipment business achieved major gains in both sales and profits, which drove earnings as a whole. Breaking down this performance, the Company is delivering major projects for LCD manufacturing equipment (alignment layer manufacturing equipment) for two LCD panel manufacturers in China. The timing of these deliveries was in this 1H, which pushed-up net sales. The 1H financial results do not include net sales for a major project to relocate used manufacturing equipment.

Earnings by Segment

		(¥mn)								
		FY3/14	FY3/15		FY3/16 E					
		Full year	1H	2H	Full year	1H	2H revised forecast	Full-year initial forecast	Full-year revised forecast	
Net sales	Lamp Business	4,004	1,780	2,148	3,928	1,758	2,262	5,075	4,020	
	Manufacturing Equipment Business	5,476	1,822	4,435	6,258	3,456	14,004	18,120	17,460	
	Inspection Equipment Business	1,408	508	1,079	1,587	502	988	1,096	1,490	
	Human Resources Services business	2,177	1,520	1,678	3,198	1,728	1,822	3,721	3,550	
	Sub-total	13,065	5,631	9,341	14,973	7,446	19,074	28,012	26,520	
	Adjustment	-166	-27	-128	-155	-7	-13	-562	-20	
	Total	12,900	5,604	9,213	14,817	7,438	19,062	27,450	26,500	
	Operating income	Lamp Business	273	86	131	217	51	-	-	-
		Manufacturing Equipment Business	445	107	556	664	857	-	-	-
Inspection Equipment Business		121	63	99	163	31	-	-	-	
Human Resources Services business		49	64	71	135	52	-	-	-	
Sub-total		889	322	858	1,180	993	-	-	-	
Adjustment		-369	-196	-132	-329	-163	-	-	-	
Total		520	125	725	851	830	270	1,080	1,100	

Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing material

Despite forecast lower sales in FY3/17, it is still possible that profits will increase

(2) FY3/16 full-year outlook

The full-year FY3/16 forecasts are for net sales of ¥26,500mn (up 78.8% YoY), operating income of ¥1,100mn (up 29.2%), ordinary income of ¥1,090mn (up 39.7%), and net income of ¥720mn (down 5.0%). Compared to the initial forecast, net sales have been downwardly revised, but the forecasts for each income item have been upwardly revised.

Summary of the FY3/16 full-year outlook

		(¥mn)				
		FY3/15	FY3/16			
		Full year	1H	2H (E)	Full year (E)	y-o-y
Net sales		14,817	7,438	19,061	26,500	78.8%
Operating income		851	830	269	1,100	29.2%
	(Operating income margin)	5.7%	11.2%	1.4%	4.2%	-
Ordinary income		780	826	263	1,090	39.7%
	(Ordinary income ratio)	5.3%	11.1%	1.4%	4.1%	-
Net income		757	564	155	720	-5.0%
	(Net income ratio)	5.1%	7.6%	0.8%	2.7%	-

Source: Prepared by FISCO from the Company's financial reports summary and financial reports briefing material

The reason why net sales have been downwardly revised is that a delivery of used manufacturing equipment (touch panel) worth several hundreds of millions of yen that was scheduled for 2H has been pushed back to the next fiscal year. However, as the positive impact of the increase in sales in 1H above the forecast will likely exceed the negative impact from the shift in the fiscal period for the used equipment, the Company slightly upwardly revised its full-year forecasts for income items.

Net sales of ¥11.7bn are scheduled to be recorded in this 2H for the relocation of used manufacturing equipment, which will greatly push-up net sales as a whole. However, the contribution to profit of this major project will be small, in the range of ¥100mn to ¥200mn. So the outlook for full-year operating income is that it is not expected to rise greatly from the 1H level. The reason for the forecast decline in net income YoY is that income tax is scheduled to be incurred in this fiscal period.

(3) Consideration of Performance in FY3/17

It is necessary to be aware that net sales will change greatly in the FY3/17 results. What is clear is that sales will fall substantially YoY due to the absence of the ¥11.7bn in net sales for a used manufacturing equipment relocation project recorded in FY3/16. When subtracting ¥11,700mn from the FY3/16 net sales forecast, it becomes ¥14,800mn, and it would seem better to consider the results forecasts for the next fiscal year based on this amount.

Conversely, the ¥11,700mn decline in sales will only have a small impact on profits. As previously explained, this is because the contribution to profits of this major project will only be around ¥100mn. Among the Company's businesses, the manufacturing equipment business is the most profitable and the earnings recorded by this business hold the key to overall performance. This business relies upon investment in the manufacturing lines for LCD panels and touch panels in China. Among the Company's existing customers, those involved in the generational change of glass (switching to large glass) and in the construction of new manufacturing lines remain active, and the Company has no concerns about projects up to FY3/17. Based on this situation, at FISCO we think that even if sales decline significantly in FY3/17, it is still very possible that profits will increase.

Income Statement

		(¥mn)				
		FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Net sales		10,056	11,139	12,900	14,817	26,500
	YOY	-27.8%	10.8%	15.8%	14.9%	78.8%
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	1,100
	YOY	-	-	48.1%	63.7%	29.2%
Operating income margin		-5.3%	3.2%	4.0%	5.7%	-
Ordinary income		-315	431	621	780	1,090
	YOY	-	-	44.1%	25.5%	39.7%
Net income		-1,256	443	889	757	720
	YOY	-	-	100.7%	-14.8%	-5.0%
EPS (¥)		-76.95	26.82	53.10	43.97	40.35
Dividend (¥)		0.00	8.00	10.00	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	FY3/16 1H
Current assets	6,051	6,081	7,967	18,802	20,281
Cash and deposits with banks	1,638	1,632	2,663	1,836	3,698
Notes and accounts receivable	2,808	2,794	3,330	4,213	3,488
Inventory assets	1,373	1,548	1,610	12,144	12,394
Fixed assets	3,195	3,049	2,807	2,726	2,816
Fixed assets	2,680	2,602	2,193	2,093	2,168
Intangible assets	243	150	162	149	130
Investments and other assets	272	296	451	483	518
Total assets	9,246	9,131	10,774	21,528	23,098
Current liabilities	2,567	2,141	2,824	12,629	13,973
Notes and accounts payable	751	910	1,420	1,271	1,272
Short-term borrowings	1,072	439	538	2,969	619
Long-term liabilities	828	649	688	857	732
Long-term borrowings	237	268	457	654	544
Shareholders' equity	5,847	6,291	7,124	7,911	8,263
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	2,718	3,161	3,915	4,459	4,809
Treasury stock	-1,567	-1,567	-1,488	-1,245	-1,242
Accumulated other comprehensive income	3	26	86	117	117
Minority interests	0	0	0	0	0
Subscription rights to shares	0	22	50	12	11
Total net assets	5,850	6,340	7,261	8,041	8,393
Total liabilities and net assets	9,246	9,131	10,774	21,528	23,098

Cash Flow Statement

	(¥mn)				
	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16 1H
Cash flows from operating activities	84	840	747	-3,508	4721
Cash flows from investing activities	-166	-234	144	91	-186
Cash flows from financing activities	93	-629	79	2,611	-2672
Adjustments to cash and cash equivalents	0	0	30	1	-1
Net increase (decrease) in cash and cash equivalents	11	-23	1,000	-804	1,862
Cash and cash equivalents at beginning of period	1,597	1,608	1,585	2,585	1780
Cash and cash equivalents at end of period	1,608	1,585	2,585	1,780	3642

Shareholder Returns

Basically pays a stable dividend that increases in line with results

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. 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.

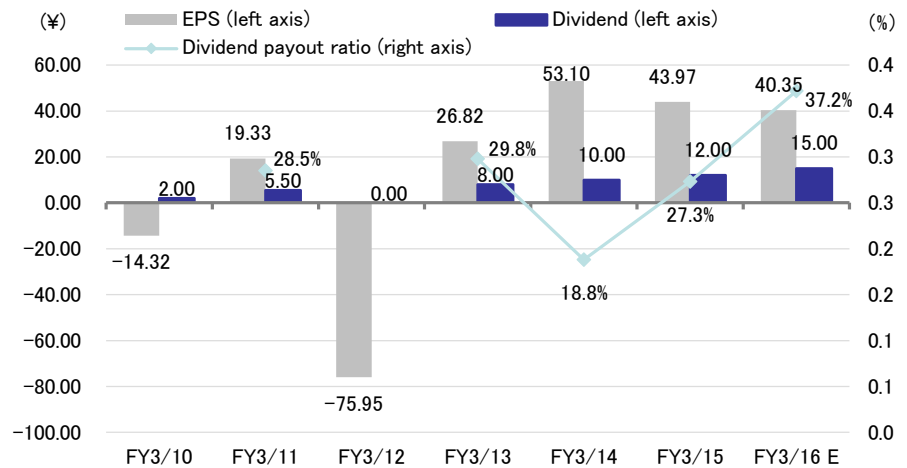
The forecast for FY3/16 is for a further dividend increase of ¥3 to ¥15. Although the full-year forecasts for profits were upwardly revised from the 1H results, the dividend forecast has been left unchanged. Based on the earnings per share (¥40.35) in the new forecasts, the dividend payout ratio will be 37.2%.

Helios Techno Holding

6927 Tokyo Stock Exchange
First Section

12-Jan.-16

Earnings Per Share, Dividend, and Dividend Payout Ratio



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