

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

November 7, 2016

Company name: SE Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 3423 URL <http://www.se-corp.com/>  
 Representative: President Tetsuo Otsu  
 Corporate Director Masaharu Tsukada  
 Inquiries: Senior Managing Executive Officer TEL 03-3340-5500  
 Scheduled date to file Quarterly Securities Report: November 11, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

#### (1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	7,574	(12.2)	(150)	–	(141)	–	(188)	–
Six months ended September 30, 2015	8,626	(1.4)	(144)	–	(142)	–	(152)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	(12.57)	–
Six months ended September 30, 2015	(10.19)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	19,594	7,050	36.0	471.47
As of March 31, 2016	21,579	7,666	35.5	512.41

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	–	0.00	–	20.00	20.00
Year ending March 31, 2017	–	0.00	–	–	–
Year ending March 31, 2017 (Forecast)	–	–	–	20.00	20.00

### 3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	18,700	(4.1)	689	34.4	700	27.7	340	(5.1)	22.74

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: Yes
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2016	15,628,300 shares	As of March 31, 2016	15,628,300 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	674,218 shares	As of March 31, 2016	674,218 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2016	14,954,082 shares	Six months ended September 30, 2015	14,954,082 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	5,705,434	5,025,687
Notes and accounts receivable - trade	7,417,311	5,370,557
Merchandise and finished goods	282,539	295,121
Work in process	462,382	598,345
Raw materials and supplies	876,900	1,025,603
Other	288,286	437,944
Allowance for doubtful accounts	(36,990)	(27,339)
Total current assets	14,995,865	12,725,920
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,148,635	1,217,775
Machinery, equipment and vehicles, net	413,622	470,416
Tools, furniture and fixtures, net	60,962	59,806
Land	2,237,583	2,502,318
Leased assets, net	28,876	115,180
Construction in progress	–	14,042
Total property, plant and equipment	3,889,681	4,379,540
Intangible assets		
Goodwill	196,621	215,267
Other	161,526	132,695
Total intangible assets	358,148	347,962
Investments and other assets		
Investment securities	1,656,996	1,509,428
Other	716,251	669,431
Allowance for doubtful accounts	(37,807)	(38,076)
Total investments and other assets	2,335,439	2,140,784
Total non-current assets	6,583,270	6,868,287
Total assets	21,579,136	19,594,208

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,852,635	2,929,490
Electronically recorded obligations - operating	1,397,643	940,704
Short-term loans payable	490,522	450,522
Current portion of long-term loans payable	1,415,978	1,354,446
Current portion of bonds	247,000	237,000
Income taxes payable	124,273	106,423
Provision for bonuses	105,269	114,786
Other	1,538,429	1,191,740
<b>Total current liabilities</b>	<b>9,171,750</b>	<b>7,325,113</b>
<b>Non-current liabilities</b>		
Bonds payable	636,000	517,500
Long-term loans payable	2,928,448	3,440,568
Provision for directors' retirement benefits	534,200	523,869
Net defined benefit liability	452,813	463,194
Asset retirement obligations	68,866	80,560
Other	120,344	192,510
<b>Total non-current liabilities</b>	<b>4,740,673</b>	<b>5,218,203</b>
<b>Total liabilities</b>	<b>13,912,423</b>	<b>12,543,317</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,228,057	1,228,057
Capital surplus	995,600	1,003,898
Retained earnings	5,631,705	5,144,583
Treasury shares	(247,744)	(247,744)
<b>Total shareholders' equity</b>	<b>7,607,618</b>	<b>7,128,795</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	28,017	2,574
Foreign currency translation adjustment	38,204	(69,246)
Remeasurements of defined benefit plans	(11,281)	(11,774)
<b>Total accumulated other comprehensive income</b>	<b>54,940</b>	<b>(78,446)</b>
<b>Non-controlling interests</b>	<b>4,153</b>	<b>541</b>
<b>Total net assets</b>	<b>7,666,712</b>	<b>7,050,890</b>
<b>Total liabilities and net assets</b>	<b>21,579,136</b>	<b>19,594,208</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	8,626,069	7,574,474
Cost of sales	6,625,544	5,515,797
Gross profit	2,000,524	2,058,676
Selling, general and administrative expenses	2,144,808	2,209,345
Operating loss	(144,284)	(150,669)
Non-operating income		
Interest income	375	125
Dividend income	2,393	5,590
Commission fee	5,606	8,234
House rent income	8,932	8,627
Share of profit of entities accounted for using equity method	4,144	3,416
Reversal of allowance for doubtful accounts	8,933	9,381
Insurance premiums refunded cancellation	378	15,241
Other	9,727	15,760
Total non-operating income	40,491	66,378
Non-operating expenses		
Interest expenses	29,778	31,775
Sales discounts	5,640	5,834
Foreign exchange losses	109	12,255
Contribution	1,340	2,240
Other	1,489	4,671
Total non-operating expenses	38,357	56,776
Ordinary loss	(142,149)	(141,067)
Extraordinary income		
Gain on sales of non-current assets	–	927
Gain on sales of investment securities	–	670
Total extraordinary income	–	1,598
Extraordinary losses		
Loss on sales of non-current assets	–	2,359
Loss on retirement of non-current assets	505	163
Directors' retirement benefits	1,700	–
Loss on valuation of golf club membership	–	1,070
Total extraordinary losses	2,205	3,592
Loss before income taxes	(144,355)	(143,061)
Income taxes	23,340	48,589
Loss	(167,695)	(191,651)
Loss attributable to non-controlling interests	(15,335)	(3,611)
Loss attributable to owners of parent	(152,359)	(188,040)

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Loss	(167,695)	(191,651)
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,618)	(25,694)
Remeasurements of defined benefit plans, net of tax	(2,650)	(493)
Share of other comprehensive income of entities accounted for using equity method	(2,769)	(107,206)
Total other comprehensive income	(15,037)	(133,394)
Comprehensive income	(182,733)	(325,046)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(167,397)	(321,426)
Comprehensive income attributable to non-controlling interests	(15,335)	(3,619)

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Loss before income taxes	(144,355)	(143,061)
Depreciation	141,035	187,014
Amortization of goodwill	20,517	26,796
Loss on retirement of non-current assets	505	163
Share of (profit) loss of entities accounted for using equity method	(4,144)	(3,416)
Increase (decrease) in allowance for doubtful accounts	(8,664)	(9,381)
Increase (decrease) in provision for bonuses	15,313	6,592
Increase (decrease) in provision for directors' retirement benefits	(50,520)	(10,330)
Increase (decrease) in net defined benefit liability	3,000	4,644
Increase (decrease) in provision for loss on construction contracts	(8,653)	–
Interest and dividend income	(2,768)	(5,716)
Interest expenses	29,778	31,775
Decrease (increase) in notes and accounts receivable - trade	1,599,169	2,046,754
Decrease (increase) in inventories	91,421	(107,587)
Increase (decrease) in notes and accounts payable - trade	(1,037,498)	(1,381,890)
Increase (decrease) in advances received	79,159	(10,090)
Loss (gain) on cancellation of insurance contract	–	(15,241)
Other, net	435,524	(420,610)
Subtotal	1,158,821	196,413
Interest and dividend income received	8,716	26,423
Interest expenses paid	(30,192)	(31,785)
Income taxes paid	(236,451)	(123,348)
Other, net	20,952	23,974
Net cash provided by (used in) operating activities	921,846	91,679
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	35,186	16,872
Purchase of property, plant and equipment	(94,327)	(193,118)
Proceeds from sales of property, plant and equipment	–	4,632
Payments for asset retirement obligations	–	(2,112)
Purchase of intangible assets	(54,740)	(3,890)
Purchase of investment securities	(677,041)	(45,932)
Decrease (increase) in other investments	(3,107)	(18,456)
Payments of loans receivable	–	(4,000)
Collection of loans receivable	1,720	1,616
Proceeds from cancellation of insurance funds	10	111,385
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(171,067)	–
Payments for transfer of business	–	(580,000)
Net cash provided by (used in) investing activities	(963,367)	(713,003)

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	118,974	(40,000)
Proceeds from long-term loans payable	100,000	1,200,000
Repayments of long-term loans payable	(672,027)	(749,412)
Redemption of bonds	(160,500)	(128,500)
Cash dividends paid	(328,406)	(298,724)
Repayments of finance lease obligations	(7,060)	(14,632)
Repayments of installment payables	(23,677)	(21,508)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	12,000
Net cash provided by (used in) financing activities	(972,696)	(40,776)
Effect of exchange rate change on cash and cash equivalents	(39)	(773)
Net increase (decrease) in cash and cash equivalents	(1,014,257)	(662,873)
Cash and cash equivalents at beginning of period	4,491,318	5,332,120
Cash and cash equivalents at end of period	3,477,061	4,669,246