

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 6, 2017

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 13, 2017
 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, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	9,020	19.1	217	–	319	–	184	–
Six months ended September 30, 2016	7,574	(12.2)	(150)	–	(141)	–	(188)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	12.31	–
Six months ended September 30, 2016	(12.57)	–

(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, 2017	21,703	7,759	35.7	518.13
As of March 31, 2017	21,633	7,781	35.9	519.49

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, 2017	–	0.00	–	16.00	16.00
Year ending March 31, 2018	–	0.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	18.00	18.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,500	9.9	750	14.3	840	23.7	500	16.4	33.44

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017
(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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- 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, 2017	15,628,300 shares	As of March 31, 2017	15,628,300 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2017	674,218 shares	As of March 31, 2017	674,218 shares
--------------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	14,954,082 shares	Six months ended September 30, 2016	14,954,082 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	5,793,036	5,932,976
Notes and accounts receivable - trade	6,879,642	6,291,807
Merchandise and finished goods	261,961	310,539
Work in process	569,946	821,391
Raw materials and supplies	849,071	920,850
Other	352,923	326,532
Allowance for doubtful accounts	(25,813)	(22,540)
Total current assets	14,680,768	14,581,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,213,570	1,414,070
Machinery, equipment and vehicles, net	470,691	463,850
Tools, furniture and fixtures, net	59,204	55,937
Land	2,505,098	2,505,098
Leased assets, net	117,528	113,599
Construction in progress	110,279	58,255
Total property, plant and equipment	4,476,372	4,610,812
Intangible assets		
Goodwill	187,333	159,399
Other	101,079	72,929
Total intangible assets	288,412	232,329
Investments and other assets		
Investment securities	1,624,611	1,723,786
Other	599,418	595,977
Allowance for doubtful accounts	(36,544)	(41,263)
Total investments and other assets	2,187,485	2,278,500
Total non-current assets	6,952,270	7,121,642
Total assets	21,633,038	21,703,198

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,562,154	3,892,131
Electronically recorded obligations - operating	966,429	920,213
Short-term loans payable	450,522	420,522
Current portion of long-term loans payable	1,423,244	1,387,747
Current portion of bonds	337,000	297,000
Income taxes payable	173,188	124,084
Provision for bonuses	98,163	113,257
Provision for loss on construction contracts	7,681	10,417
Other	1,119,435	1,311,533
Total current liabilities	8,137,818	8,476,906
Non-current liabilities		
Bonds payable	799,000	670,500
Long-term loans payable	3,684,946	3,597,012
Provision for directors' retirement benefits	544,730	540,040
Net defined benefit liability	438,365	428,986
Asset retirement obligations	80,906	81,258
Other	165,989	149,151
Total non-current liabilities	5,713,937	5,466,948
Total liabilities	13,851,755	13,943,854
Net assets		
Shareholders' equity		
Capital stock	1,228,057	1,228,057
Capital surplus	1,003,898	1,003,898
Retained earnings	5,762,002	5,706,801
Treasury shares	(247,744)	(247,744)
Total shareholders' equity	7,746,213	7,691,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,267	54,947
Foreign currency translation adjustment	(14,105)	(5,480)
Remeasurements of defined benefit plans	8,108	7,706
Total accumulated other comprehensive income	22,270	57,173
Non-controlling interests	12,798	11,158
Total net assets	7,781,283	7,759,343
Total liabilities and net assets	21,633,038	21,703,198

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, 2016	Six months ended September 30, 2017
Net sales	7,574,474	9,020,306
Cost of sales	5,515,797	6,708,211
Gross profit	2,058,676	2,312,094
Selling, general and administrative expenses	2,209,345	2,094,922
Operating profit (loss)	(150,669)	217,172
Non-operating income		
Interest income	125	167
Dividend income	5,590	2,906
Commission fee	8,234	5,789
House rent income	8,627	6,611
Foreign exchange gains	–	84
Share of profit of entities accounted for using equity method	3,416	106,705
Reversal of allowance for doubtful accounts	9,381	533
Insurance premiums refunded cancellation	15,241	–
Other	15,760	17,897
Total non-operating income	66,378	140,696
Non-operating expenses		
Interest expenses	31,775	27,948
Sales discounts	5,834	6,249
Foreign exchange losses	12,255	–
Contribution	2,240	3,732
Other	4,671	13
Total non-operating expenses	56,776	37,943
Ordinary profit (loss)	(141,067)	319,924
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	163	97
Loss on valuation of golf club membership	1,070	–
Loss on valuation of investment securities	–	11,140
Total extraordinary losses	3,592	11,237
Profit (loss) before income taxes	(143,061)	308,686
Income taxes	48,589	126,263
Profit (loss)	(191,651)	182,423
Loss attributable to non-controlling interests	(3,611)	(1,640)
Profit (loss) attributable to owners of parent	(188,040)	184,064

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	(191,651)	182,423
Other comprehensive income		
Valuation difference on available-for-sale securities	(25,694)	25,787
Remeasurements of defined benefit plans, net of tax	(493)	(401)
Share of other comprehensive income of entities accounted for using equity method	(107,206)	9,517
Total other comprehensive income	(133,394)	34,902
Comprehensive income	(325,046)	217,326
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(321,426)	218,966
Comprehensive income attributable to non-controlling interests	(3,619)	(1,640)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(143,061)	308,686
Depreciation	187,014	160,537
Amortization of goodwill	26,796	27,934
Loss on retirement of non-current assets	163	97
Share of (profit) loss of entities accounted for using equity method	(3,416)	(106,705)
Increase (decrease) in allowance for doubtful accounts	(9,381)	1,445
Increase (decrease) in provision for bonuses	6,592	15,094
Increase (decrease) in provision for directors' retirement benefits	(10,330)	(4,690)
Increase (decrease) in net defined benefit liability	4,644	(9,864)
Increase (decrease) in provision for loss on construction contracts	–	2,735
Interest and dividend income	(5,716)	(3,074)
Interest expenses	31,775	27,948
Decrease (increase) in notes and accounts receivable - trade	2,046,754	587,835
Decrease (increase) in inventories	(107,587)	(371,801)
Increase (decrease) in notes and accounts payable - trade	(1,381,890)	268,456
Increase (decrease) in advances received	(10,090)	171,707
Loss (gain) on cancellation of insurance contract	(15,241)	–
Other, net	(420,610)	(8,860)
Subtotal	196,413	1,067,483
Interest and dividend income received	26,423	20,445
Interest expenses paid	(31,785)	(27,975)
Income taxes paid	(123,348)	(156,121)
Other, net	23,974	20,303
Net cash provided by (used in) operating activities	91,679	924,134
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	16,872	14,699
Purchase of property, plant and equipment	(193,118)	(221,427)
Proceeds from sales of property, plant and equipment	4,632	–
Payments for asset retirement obligations	(2,112)	–
Purchase of intangible assets	(3,890)	(2,748)
Purchase of investment securities	(45,932)	(3,287)
Proceeds from sales of investment securities	–	30,000
Decrease (increase) in other investments	(18,456)	(3,313)
Payments of loans receivable	(4,000)	–
Collection of loans receivable	1,616	2,843
Proceeds from cancellation of insurance funds	111,385	–
Payments for transfer of business	(580,000)	–
Net cash provided by (used in) investing activities	(713,003)	(183,234)

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(40,000)	(30,000)
Proceeds from long-term loans payable	1,200,000	550,000
Repayments of long-term loans payable	(749,412)	(673,431)
Redemption of bonds	(128,500)	(168,500)
Cash dividends paid	(298,724)	(239,347)
Repayments of finance lease obligations	(14,632)	(13,307)
Repayments of installment payables	(21,508)	(11,810)
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	(40,776)	(586,396)
Effect of exchange rate change on cash and cash equivalents	(773)	135
Net increase (decrease) in cash and cash equivalents	(662,873)	154,639
Cash and cash equivalents at beginning of period	5,332,120	5,430,363
Cash and cash equivalents at end of period	4,669,246	5,585,003