

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 5, 2018

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
 Senior Managing Executive Officer TEL 03-3340-5500
 Scheduled date to file Quarterly Securities Report: November 13, 2018
 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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	9,859	9.3	239	10.4	228	(28.6)	98	(46.3)
Six months ended September 30, 2017	9,020	19.1	217	–	319	–	184	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	3.30		–	
Six months ended September 30, 2017	6.15		–	

(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, 2018	21,891	8,106	37.0	270.53
As of March 31, 2018	22,525	8,345	37.0	278.43

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2018	–	0.00	–	18.00	18.00
Year ending March 31, 2019	–	0.00	–	–	–
Year ending March 31, 2019 (Forecast)	–	–	–	10.00	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	21,500	6.5	1,045	9.6	1,050	(0.1)	680	(0.0)	22.74

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(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, 2018	31,256,600 shares	As of March 31, 2018	31,256,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	1,348,528 shares	As of March 31, 2018	1,348,528 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, 2018	29,908,072 shares	Six months ended September 30, 2017	29,908,164 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	5,492,809	4,399,472
Notes and accounts receivable - trade	7,065,473	6,983,397
Merchandise and finished goods	454,610	555,173
Work in process	644,666	781,421
Raw materials and supplies	811,122	1,097,566
Other	146,868	211,329
Allowance for doubtful accounts	(26,000)	(20,621)
Total current assets	14,589,551	14,007,739
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,558,928	1,615,981
Machinery, equipment and vehicles, net	473,575	448,162
Tools, furniture and fixtures, net	62,564	62,199
Land	2,788,918	2,788,898
Leased assets, net	103,960	118,571
Construction in progress	380	7,930
Total property, plant and equipment	4,988,329	5,041,745
Intangible assets		
Goodwill	354,991	314,537
Other	64,972	89,625
Total intangible assets	419,964	404,163
Investments and other assets		
Investment securities	1,786,366	1,681,218
Other	804,668	816,288
Allowance for doubtful accounts	(63,071)	(59,382)
Total investments and other assets	2,527,963	2,438,124
Total non-current assets	7,936,256	7,884,032
Total assets	22,525,808	21,891,772

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,903,979	4,144,326
Electronically recorded obligations - operating	1,176,909	993,386
Short-term loans payable	300,522	420,522
Current portion of long-term loans payable	1,273,704	1,201,379
Current portion of bonds	257,000	217,000
Income taxes payable	217,994	146,375
Provision for bonuses	110,038	129,247
Provision for loss on construction contracts	4,700	9,856
Other	1,411,880	1,279,187
Total current liabilities	8,656,728	8,541,280
Non-current liabilities		
Bonds payable	542,000	453,500
Long-term loans payable	3,686,983	3,470,436
Provision for directors' retirement benefits	631,040	592,360
Net defined benefit liability	450,413	448,779
Asset retirement obligations	87,504	138,052
Other	125,676	141,041
Total non-current liabilities	5,523,618	5,244,169
Total liabilities	14,180,347	13,785,450
Net assets		
Shareholders' equity		
Capital stock	1,228,057	1,228,057
Capital surplus	1,003,898	1,003,898
Retained earnings	6,203,044	6,032,704
Treasury shares	(247,777)	(247,777)
Total shareholders' equity	8,187,222	8,016,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,518	59,983
Foreign currency translation adjustment	55,819	(8,473)
Remeasurements of defined benefit plans	25,811	22,568
Total accumulated other comprehensive income	140,149	74,078
Non-controlling interests	18,089	15,360
Total net assets	8,345,461	8,106,321
Total liabilities and net assets	22,525,808	21,891,772

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, 2017	Six months ended September 30, 2018
Net sales	9,020,306	9,859,392
Cost of sales	6,708,211	7,450,860
Gross profit	2,312,094	2,408,532
Selling, general and administrative expenses	2,094,922	2,168,681
Operating profit	217,172	239,851
Non-operating income		
Interest income	167	154
Dividend income	2,906	3,935
Commission fee	5,789	4,896
House rent income	6,611	4,548
Foreign exchange gains	84	4,248
Share of profit of entities accounted for using equity method	106,705	–
Reversal of allowance for doubtful accounts	533	5,399
Other	17,897	18,554
Total non-operating income	140,696	41,736
Non-operating expenses		
Interest expenses	27,948	22,387
Sales discounts	6,249	8,305
Contribution	3,732	1,610
Share of loss of entities accounted for using equity method	–	19,232
Other	13	1,564
Total non-operating expenses	37,943	53,099
Ordinary profit	319,924	228,488
Extraordinary income		
Gain on sales of non-current assets	–	475
Gain on sales of investment securities	–	4,413
Total extraordinary income	–	4,888
Extraordinary losses		
Loss on sales of non-current assets	–	62
Loss on retirement of non-current assets	97	578
Loss on sales of golf club memberships	–	130
Loss on valuation of investment securities	11,140	3,050
Directors' retirement benefits	–	3,000
Total extraordinary losses	11,237	6,821
Profit before income taxes	308,686	226,555
Income taxes	126,263	130,452
Profit	182,423	96,103
Loss attributable to non-controlling interests	(1,640)	(2,729)
Profit attributable to owners of parent	184,064	98,832

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	182,423	96,103
Other comprehensive income		
Valuation difference on available-for-sale securities	25,787	1,014
Remeasurements of defined benefit plans, net of tax	(401)	(3,243)
Share of other comprehensive income of entities accounted for using equity method	9,517	(63,842)
Total other comprehensive income	34,902	(66,070)
Comprehensive income	217,326	30,032
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	218,966	32,762
Comprehensive income attributable to non-controlling interests	(1,640)	(2,729)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	308,686	226,555
Depreciation	160,537	154,353
Amortization of goodwill	27,934	40,454
Loss on retirement of non-current assets	97	578
Share of loss (profit) of entities accounted for using equity method	(106,705)	19,232
Increase (decrease) in allowance for doubtful accounts	1,445	(5,399)
Increase (decrease) in provision for bonuses	15,094	19,208
Increase (decrease) in provision for directors' retirement benefits	(4,690)	(38,680)
Increase (decrease) in net defined benefit liability	(9,864)	(6,005)
Increase (decrease) in provision for loss on construction contracts	2,735	5,156
Interest and dividend income	(3,074)	(4,089)
Interest expenses	27,948	22,387
Decrease (increase) in notes and accounts receivable - trade	587,835	82,076
Decrease (increase) in inventories	(371,801)	(523,761)
Increase (decrease) in notes and accounts payable - trade	268,456	9,599
Increase (decrease) in advances received	171,707	66,201
Other, net	(8,860)	(332,063)
Subtotal	1,067,483	(264,194)
Interest and dividend income received	20,445	8,649
Interest expenses paid	(27,975)	(23,135)
Income taxes paid	(156,121)	(214,732)
Other, net	20,303	15,725
Net cash provided by (used in) operating activities	924,134	(477,687)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	20,000	89,562
Payments into time deposits	(5,300)	(6,152)
Purchase of property, plant and equipment	(221,427)	(60,141)
Proceeds from sales of property, plant and equipment	–	3,535
Purchase of intangible assets	(2,748)	(34,935)
Purchase of investment securities	(3,287)	(7,986)
Proceeds from sales of investment securities	30,000	40,801
Decrease (increase) in other investments	(3,313)	(4,356)
Payments of loans receivable	–	(4,000)
Collection of loans receivable	2,843	668
Proceeds from cancellation of insurance funds	–	26,477
Net cash provided by (used in) investing activities	(183,234)	43,473

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30,000)	120,000
Proceeds from long-term loans payable	550,000	410,000
Repayments of long-term loans payable	(673,431)	(698,872)
Redemption of bonds	(168,500)	(128,500)
Cash dividends paid	(239,347)	(269,343)
Repayments of finance lease obligations	(13,307)	(11,388)
Repayments of installment payables	(11,810)	–
Net cash provided by (used in) financing activities	(586,396)	(578,103)
Effect of exchange rate change on cash and cash equivalents	135	2,391
Net increase (decrease) in cash and cash equivalents	154,639	(1,009,926)
Cash and cash equivalents at beginning of period	5,430,363	5,100,033
Cash and cash equivalents at end of period	5,585,003	4,090,106