

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 5, 2019

Company name: SE Corporation
 Stock exchange listing: Tokyo
 Stock code: 3423 URL <http://www.se-corp.com/>
 Representative: President Ichiro Miyahara
 Inquiries: Corporate Director Executive Officer Hisahiro Nojima TEL 03-3340-5500
 Scheduled date to file Quarterly Securities Report: November 13, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	10,798	9.5	379	58.4	367	61.0	143	45.7
Six months ended September 30, 2018	9,859	9.3	239	10.4	228	(28.6)	98	(46.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	4.81		–	
Six months ended September 30, 2018	3.30		–	

(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, 2019	21,794	8,497	38.8	282.74
As of March 31, 2019	23,093	8,712	37.6	289.98

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, 2019	–	0.00	–	10.00	10.00
Year ending March 31, 2020	–	0.00			
Year ending March 31, 2020 (Forecast)			–	10.00	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	22,800	1.7	1,153	3.0	1,150	6.6	677	(3.2)	22.66

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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, 2019	31,256,600 shares	As of March 31, 2019	31,256,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	1,348,528 shares	As of March 31, 2019	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, 2019	29,908,072 shares	Six months ended September 30, 2018	29,908,072 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	5,132,395	4,100,617
Notes and accounts receivable - trade	7,552,636	6,661,132
Merchandise and finished goods	569,387	566,610
Work in process	624,925	705,068
Raw materials and supplies	1,140,554	1,378,143
Other	200,720	199,272
Allowance for doubtful accounts	(25,120)	(32,255)
Total current assets	15,195,500	13,578,589
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,617,309	1,631,861
Machinery, equipment and vehicles, net	595,416	705,522
Tools, furniture and fixtures, net	68,524	76,978
Land	2,788,898	2,788,898
Leased assets, net	136,679	268,045
Construction in progress	7,427	165,641
Total property, plant and equipment	5,214,256	5,636,948
Intangible assets		
Goodwill	274,082	246,041
Other	82,172	76,372
Total intangible assets	356,254	322,413
Investments and other assets		
Investment securities	1,608,296	1,532,471
Other	747,158	756,754
Allowance for doubtful accounts	(28,348)	(32,854)
Total investments and other assets	2,327,106	2,256,370
Total non-current assets	7,897,617	8,215,733
Total assets	23,093,118	21,794,322

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,838,269	4,249,533
Electronically recorded obligations - operating	1,248,076	1,293,430
Short-term borrowings	300,522	420,522
Current portion of long-term borrowings	1,270,408	1,212,335
Current portion of bonds	177,000	177,000
Income taxes payable	158,694	152,926
Provision for bonuses	115,677	146,522
Provision for loss on construction contracts	–	441
Other	1,211,300	1,020,127
Total current liabilities	9,319,948	8,672,838
Non-current liabilities		
Bonds payable	365,000	276,500
Long-term borrowings	3,356,175	2,976,696
Provision for retirement benefits for directors (and other officers)	613,210	507,810
Retirement benefit liability	416,950	415,404
Asset retirement obligations	153,616	149,567
Other	155,581	298,377
Total non-current liabilities	5,060,533	4,624,354
Total liabilities	14,380,481	13,297,193
Net assets		
Shareholders' equity		
Share capital	1,228,057	1,228,057
Capital surplus	991,898	991,898
Retained earnings	6,633,655	6,478,536
Treasury shares	(247,777)	(247,777)
Total shareholders' equity	8,605,833	8,450,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,610	21,528
Foreign currency translation adjustment	(3,303)	(52,719)
Remeasurements of defined benefit plans	40,510	36,691
Total accumulated other comprehensive income	66,817	5,500
Non-controlling interests	39,985	40,914
Total net assets	8,712,636	8,497,129
Total liabilities and net assets	23,093,118	21,794,322

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, 2018	Six months ended September 30, 2019
Net sales	9,859,392	10,798,125
Cost of sales	7,450,860	8,115,034
Gross profit	2,408,532	2,683,091
Selling, general and administrative expenses	2,168,681	2,303,116
Operating profit	239,851	379,974
Non-operating income		
Interest income	154	84
Dividend income	3,935	4,101
Commission income	4,896	6,472
Rental income from buildings	4,548	4,582
Foreign exchange gains	4,248	–
Reversal of allowance for doubtful accounts	5,399	374
Other	18,554	15,835
Total non-operating income	41,736	31,451
Non-operating expenses		
Interest expenses	22,387	17,535
Sales discounts	8,305	9,774
Foreign exchange losses	–	2,720
Donations	1,610	1,601
Share of loss of entities accounted for using equity method	19,232	10,668
Other	1,564	1,316
Total non-operating expenses	53,099	43,616
Ordinary profit	228,488	367,809
Extraordinary income		
Gain on sales of non-current assets	475	1,299
Gain on sales of investment securities	4,413	–
Total extraordinary income	4,888	1,299
Extraordinary losses		
Loss on sales of non-current assets	62	3,502
Loss on retirement of non-current assets	578	370
Loss on sales of golf club memberships	130	–
Loss on valuation of investment securities	3,050	–
Retirement benefits for directors (and other officers)	3,000	47,700
Loss on disaster	–	2,412
Total extraordinary losses	6,821	53,985
Profit before income taxes	226,555	315,123
Income taxes	130,452	170,232
Profit	96,103	144,890
Profit (loss) attributable to non-controlling interests	(2,729)	928
Profit attributable to owners of parent	98,832	143,961

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	96,103	144,890
Other comprehensive income		
Valuation difference on available-for-sale securities	1,014	(8,081)
Remeasurements of defined benefit plans, net of tax	(3,243)	(3,819)
Share of other comprehensive income of entities accounted for using equity method	(63,842)	(49,415)
Total other comprehensive income	(66,070)	(61,316)
Comprehensive income	30,032	83,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,762	82,645
Comprehensive income attributable to non-controlling interests	(2,729)	928

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	226,555	315,123
Depreciation	154,353	200,674
Amortization of goodwill	40,454	28,041
Loss on retirement of non-current assets	578	370
Share of loss (profit) of entities accounted for using equity method	19,232	10,668
Increase (decrease) in allowance for doubtful accounts	(5,399)	11,641
Increase (decrease) in provision for bonuses	19,208	30,844
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(38,680)	(105,400)
Increase (decrease) in retirement benefit liability	(6,005)	(7,049)
Increase (decrease) in provision for loss on construction contracts	5,156	441
Interest and dividend income	(4,089)	(4,185)
Interest expenses	22,387	17,535
Decrease (increase) in trade receivables	82,076	891,504
Decrease (increase) in inventories	(523,761)	(314,954)
Increase (decrease) in trade payables	9,599	(510,164)
Increase (decrease) in advances received	66,201	10,435
Other, net	(332,063)	(162,010)
Subtotal	(264,194)	413,516
Interest and dividends received	8,649	4,185
Interest paid	(23,135)	(18,590)
Income taxes paid	(214,732)	(178,017)
Extra retirement payments	–	(47,700)
Other, net	15,725	14,198
Net cash provided by (used in) operating activities	(477,687)	187,592
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	89,562	–
Payments into time deposits	(6,152)	(7,001)
Purchase of property, plant and equipment	(60,141)	(481,821)
Proceeds from sales of property, plant and equipment	3,535	2,015
Purchase of intangible assets	(34,935)	(8,330)
Purchase of investment securities	(7,986)	(2,336)
Proceeds from sales of investment securities	40,801	–
Decrease (increase) in other investments	(4,356)	(973)
Loan advances	(4,000)	(81)
Collection of loans receivable	668	1,202
Proceeds from cancellation of insurance funds	26,477	–
Net cash provided by (used in) investing activities	43,473	(497,327)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	120,000	120,000
Proceeds from long-term borrowings	410,000	200,000
Repayments of long-term borrowings	(698,872)	(637,552)
Redemption of bonds	(128,500)	(88,500)
Dividends paid	(269,343)	(298,906)
Repayments of finance lease obligations	(11,388)	(22,087)
Net cash provided by (used in) financing activities	(578,103)	(727,045)
Effect of exchange rate change on cash and cash equivalents	2,391	(1,999)
Net increase (decrease) in cash and cash equivalents	(1,009,926)	(1,038,779)
Cash and cash equivalents at beginning of period	5,100,033	4,817,026
Cash and cash equivalents at end of period	4,090,106	3,778,246