

CCS (6669)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY07/2015		6,951	773	760	772	186.5	20.0	698.6
FY07/2016		7,376	904	880	615	137.9	22.0	782.3
FY12/2016CoE		3,000	170	160	100	18.5	10.0	-
FY07/2016	YoY	6.1%	17.0%	15.9%	(20.4%)	-	-	-
FY12/2016CoE	YoY	-	-	-	-	-	-	-
Consolidated Quarter (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY07/2016		1,646	165	156	98	-	-	-
Q2 FY07/2016		1,817	220	216	144	-	-	-
Q3 FY07/2016		1,992	269	252	168	-	-	-
Q4 FY07/2016		1,919	248	254	203	-	-	-
Q1 FY12/2016		1,805	177	166	103	-	-	-
Q1 FY07/2016	YoY	0.4%	(18.3%)	(21.2%)	(44.6%)	-	-	-
Q2 FY07/2016	YoY	4.7%	21.1%	12.1%	(9.5%)	-	-	-
Q3 FY07/2016	YoY	9.8%	11.4%	9.2%	(25.0%)	-	-	-
Q4 FY07/2016	YoY	9.1%	69.9%	86.5%	(3.3%)	-	-	-
Q1 FY12/2016	YoY	9.7%	7.2%	6.0%	4.9%	-	-	-

Source: Company Data, WRJ Calculation (FY12/2016: 5-month irregular accounting period)

1.0 Results Update (8 December 2016)

Further Rise of Sales and Earnings

On 8 December 2016, CCS, running MV Business (Machine Vision Business to develop, manufacture and sell image-processing-use LED lighting) domestically and overseas, released its Q1 FY12/2016 (5-month irregular accounting period) results. It has been revealed that sales and earnings steady increased as a whole for the Company in spite of negative impacts from yen's appreciation. It appears the Company is heading for further rise of sales and earnings going forward, having seen increasing sales and earnings over the past three years in a row.

Due to enhanced solutions to be provided, expanding marketing areas and launch of new product, sales in the mainstay domestic market of Japan increased a lot from the same period in the previous year, while sales overseas also increased on a local currencies basis. On top of this, sales of New Business surged thanks to booking of sales for large-scale project of agriculture business.

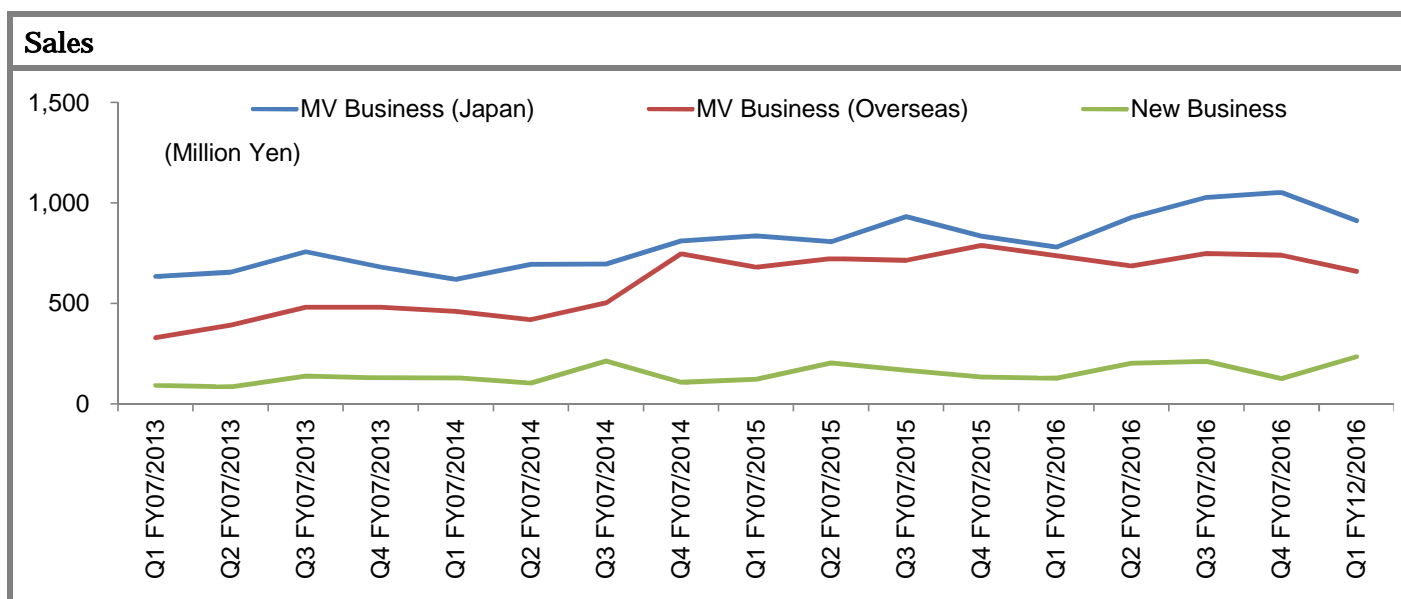
Meanwhile, the Company to have been affiliated with Optex Company Limited since 31 May 2016 is to pursue synergy within Optex group led by Optex by means of efficiently utilizing the group's resources. In FY12/2017 (January to December in 2017), i.e., the next fiscal year, the Company is likely benefiting from synergy in terms of procurement, which is to be followed by that of development as far as we could gather.

For information: [CCS \(6669\) Creating Synergy \(18 October 2016\)](#)

Q1 FY12/2016 (5-Month Irregular Accounting Period) Results.

In Q1 FY12/2016 (5-month irregular accounting period), sales came in at ¥1,805m (up 9.7% YoY), operating profit ¥177m (up 7.2%), recurring profit ¥166m (up 6.0%) and net profit ¥103m (up 4.9%), while operating profit margin 9.8% (down 0.2% points).

Out of full-year Company forecasts, the Company has achieved 60.2% in sales and 104.4% in operating profit, implying that prospective full-year operating profit was already achieved in a sense. While sales are roughly in line with expectations on a simply annualized basis, exceeding operating profit appears to have a lot to do with an issue that Company forecasts assume generation of disposal/appraisal loss due to inventory reevaluation toward the end of the fiscal year.



Source: Company Data

MV Business saw sales of ¥1,571m (up 3.4%) and New Business saw ¥234m (up 83.8%). In regards to MV Business, sales in Japan came in at ¥911m (up 16.8%) and ¥659m (down 10.7%) overseas.

In Japan, the Company successfully took in demand associated with electronic, electrical and semiconductor domain, while sales associated with pharmaceutical, food and cosmetics domain were buoyant. It appears that customer-oriented sales promotions based on solution providing by means of utilizing testing rooms, etc. are working very well. On top of this, reinforcement of sales for peripheral merchandises (lens, camera, etc.) and/or proposal of sales as system have well enclosed customers, according to the Company.

On the other hand, sales overseas increased by 3.9% from the same period in the previous year on a local currencies basis. Sales in Europe where semiconductor industry remained lull status surged due to strengths in sales to major customer, while sales in North America on a local currencies basis came down albeit marginally due to suppressed capital expenditures among local manufacturers prior to election of president in the United States. In Asia, sales were buoyant in Singapore, Malaysia (representative office to have been set up in September 2016) and Thailand, but sales as a whole in Asia were adjusted to a large extent due to delayed strengthening for local consolidated subsidiary in China (Rsee).

Meanwhile, operating profit came in at ¥177m (up 7.2% YoY), suggesting net increases of ¥11m from the same period in the previous year. On the MV business side, operations in Japan saw net increases of ¥63m and ¥27m overseas, while net increases of ¥35m on the New Business side. On the other hand, the Company saw net decreases of ¥51m and ¥63m, respectively, due to increases of SG&A expenses (but for forex impacts) and to forex impacts.

As factors for increases of SG&A expenses, the Company mentions those of R&D, of sales promotions in line with improving sales activity and of beefing up human resources to enforce power as organization.

Forex rate was ¥102.35 per US dollar (yen to have appreciated by 15.6% from the same period in the previous year) and ¥114.09 per euro (15.9%). When compared with assumption of Company forecasts, i.e., ¥105 per US dollar and ¥115 per euro, yen appreciated against US dollar more than assumption while euro was roughly in line.

FY12/2016 (5-Month Irregular Accounting Period) Company Forecasts


FY12/2016 (5-month irregular accounting period through August to December) initial Company forecasts have remained unchanged, going for prospective sales of ¥3,000m, operating profit of ¥170m, recurring profit of ¥160m and net profit of ¥100m, while operating profit margin of 5.7%. Prospective full-year dividend has also remained unchanged, i.e. ¥10.0 per share, implying payout ratio of 54.2%.

The Company, having set up dividend policy based on business performance in September 2015, is going for payout ratio between 20% and 30% as target. However, FY12/2016 has 5-month irregular accounting period and the Company came up with prospective dividend of ¥10.0 per share on a pro rata basis with comparison to dividend of ¥22.0 per share in FY07/2016 (12 months), i.e. the last fiscal year.

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2.0 Company Profile

Developing, Manufacturing and Selling Image-Processing-Use LED Lighting

Company Name	CCS Inc. Company Website IR Information Share Price	
Established	6 October 1993	
Listing	8 June 2004 : Tokyo Stock Exchange JASDAQ Standard (Ticker: 6669)	
Capital	¥462m (As of the end of October 2016)	
No. of Shares	5,417,829 shares, including 113 treasury shares (As of the end of October 2016)	
Main Features	<ul style="list-style-type: none"> ● Running MV Business to develop, manufacture and sell image-processing-use LED lighting domestically and overseas ● Applying knowhow of image-processing-use LED lighting in New Business ● Pulled out of all the loss-making operations, while entering new growth phase 	
Businesses	. LED Lighting Business (MV Business, New Business)	
Top Management	President and CEO: Hiroyuki Onishi	
Shareholders	Optex Company Limited 63.5%, The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corporation, Retirement Benefit Trust) 4.0%, CCS Employee Shareholding Association 1.0% (As of the end of July 2016)	
Headquarters	Kamigyo-ku, Kyoto-city, JAPAN	
No. of Employees	Consolidated: 287, Unconsolidated: 206 (As of the end of October 2016)	

Source: Company Data

3.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Net Chg.
	07/2016	07/2016	07/2016	07/2016	12/2016	12/2016	
Sales	1,646	3,464	5,456	7,376	1,805	-	+159
CoGS	676	1,441	2,265	3,067	803	-	+127
Gross Profit	970	2,022	3,190	4,309	1,002	-	+31
SG&A Expenses	804	1,636	2,534	3,404	824	-	+20
Operating Profit	165	386	655	904	177	-	+11
Non Operating Balance	(8)	(13)	(30)	(24)	(11)	-	(2)
Recurring Profit	156	372	625	880	166	-	+9
Extraordinary Balance	(1)	(2)	-	-	-	-	+1
Pretax Profit	155	370	625	880	166	-	+11
Tax Charges, etc.	47	116	208	249	70	-	+23
NP Belonging to Non-Controlling SHs	9	11	5	14	(7)	-	(16)
Net Profit	98	242	411	615	103	-	+4
Sales YoY	+0.4%	+2.6%	+5.1%	+6.1%	+9.7%	-	-
Operating Profit YoY	(18.3%)	+0.4%	+4.6%	+17.0%	+7.2%	-	-
Recurring Profit YoY	(21.2%)	(4.9%)	+0.4%	+15.9%	+6.0%	-	-
Net Profit YoY	(44.6%)	(28.0%)	(26.8%)	(20.4%)	+4.9%	-	-
Gross Profit Margin	58.9%	58.4%	58.5%	58.4%	55.5%	-	(3.4%)
SG&A / Sales	48.9%	47.3%	46.5%	46.2%	45.7%	-	(3.2%)
Operating Profit Margin	10.1%	11.1%	12.0%	12.3%	9.8%	-	(0.2%)
Recurring Profit Margin	9.5%	10.8%	11.5%	11.9%	9.2%	-	(0.3%)
Net Profit Margin	6.0%	7.0%	7.5%	8.3%	5.7%	-	(0.3%)
Tax Charges, etc. / Pretax Profit	30.4%	31.4%	33.3%	28.4%	42.3%	-	+11.9%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Net Chg.
	07/2016	07/2016	07/2016	07/2016	12/2016	12/2016	
Sales	1,646	1,817	1,992	1,919	1,805	-	+159
CoGS	676	764	824	801	803	-	+127
Gross Profit	970	1,052	1,168	1,118	1,002	-	+31
SG&A Expenses	804	831	898	869	824	-	+20
Operating Profit	165	220	269	248	177	-	+11
Non Operating Balance	(8)	(4)	(16)	6	(11)	-	(2)
Recurring Profit	156	216	252	254	166	-	+9
Extraordinary Balance	(1)	-	1	-	-	-	+1
Pretax Profit	155	215	254	254	166	-	+11
Tax Charges, etc.	47	69	91	41	70	-	+23
NP Belonging to Non-Controlling SHs	9	2	(6)	9	(7)	-	(16)
Net Profit	98	144	168	203	103	-	+4
Sales YoY	+0.4%	+4.7%	+9.8%	+9.1%	+9.7%	-	-
Operating Profit YoY	(18.3%)	+21.1%	+11.4%	+69.9%	+7.2%	-	-
Recurring Profit YoY	(21.2%)	+12.1%	+9.2%	+86.5%	+6.0%	-	-
Net Profit YoY	(44.6%)	(9.5%)	(25.0%)	(3.3%)	+4.9%	-	-
Gross Profit Margin	58.9%	57.9%	58.6%	58.3%	55.5%	-	(3.4%)
SG&A / Sales	48.9%	45.8%	45.1%	45.3%	45.7%	-	(3.2%)
Operating Profit Margin	10.1%	12.1%	13.5%	13.0%	9.8%	-	(0.2%)
Recurring Profit Margin	9.5%	11.9%	12.7%	13.3%	9.2%	-	(0.3%)
Net Profit Margin	6.0%	8.0%	8.5%	10.6%	5.7%	-	(0.3%)
Tax Charges, etc. / Pretax Profit	30.4%	32.0%	36.2%	16.4%	42.3%	-	+11.9%

Source: Company Data, WRJ Calculation

Sales Breakdown (Cumulative, Quarterly)

Sales Breakdown	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Net Chg.
	07/2016	07/2016	07/2016	07/2016	12/2016	12/2016	
Japan	780	1,709	2,737	3,790	911	-	+131
Europe	229	498	822	1,122	237	-	+8
North America	217	395	594	785	178	-	(39)
Asia	291	531	760	1,010	243	-	(48)
Overseas	738	1,425	2,177	2,918	659	-	(79)
MV Business	1,519	3,135	4,914	6,709	1,571	-	+52
New Business	127	329	541	667	234	-	+107
Sales	1,646	3,464	5,456	7,376	1,805	-	+159
Japan	(6.8%)	+3.9%	+6.2%	+11.0%	+16.8%	-	-
Europe	(5.0%)	+5.1%	+15.6%	+17.9%	+3.5%	-	-
North America	+13.6%	(8.4%)	(8.9%)	(9.0%)	(18.0%)	-	-
Asia	+17.8%	+6.4%	+0.7%	(7.7%)	(16.5%)	-	-
Overseas	+8.5%	+1.5%	+2.7%	+0.3%	(10.7%)	-	-
MV Business	+0.1%	+2.8%	+4.6%	+6.1%	+3.4%	-	-
New Business	+4.1%	+0.9%	+9.7%	+6.3%	+83.8%	-	-
Sales (YoY)	+0.4%	+2.6%	+5.1%	+6.1%	+9.7%	-	-
Japan	47.4%	49.3%	50.2%	51.4%	50.4%	-	+3.1%
Europe	13.9%	14.4%	15.1%	15.2%	13.1%	-	(0.8%)
North America	13.2%	11.4%	10.9%	10.6%	9.9%	-	(3.3%)
Asia	17.7%	15.3%	13.9%	13.7%	13.5%	-	(4.2%)
Overseas	44.8%	41.1%	39.9%	39.6%	36.5%	-	(8.3%)
MV Business	92.2%	90.5%	90.1%	91.0%	87.0%	-	(5.2%)
New Business	7.7%	9.5%	9.9%	9.0%	13.0%	-	+5.2%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	+0.0%
Sales Breakdown	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Net Chg.
	07/2016	07/2016	07/2016	07/2016	12/2016	12/2016	
Japan	780	928	1,028	1,053	911	-	+131
Europe	229	269	323	299	237	-	+8
North America	217	177	199	191	178	-	(39)
Asia	291	240	228	250	243	-	(48)
Overseas	738	686	750	740	659	-	(79)
MV Business	1,519	1,615	1,779	1,795	1,571	-	+52
New Business	127	202	212	126	234	-	+107
Sales	1,646	1,817	1,992	1,919	1,805	-	+159
Japan	(6.8%)	+15.0%	+10.3%	+26.1%	+16.8%	-	-
Europe	(5.0%)	+15.9%	+36.3%	+24.6%	+3.5%	-	-
North America	+13.6%	(25.9%)	(10.0%)	(9.0%)	(18.0%)	-	-
Asia	+17.8%	(4.8%)	(10.9%)	(26.0%)	(16.5%)	-	-
Overseas	+8.5%	(5.1%)	+5.0%	(6.1%)	(10.7%)	-	-
MV Business	+0.1%	+5.5%	+8.0%	+10.4%	+3.4%	-	-
New Business	+4.1%	(1.0%)	+26.9%	(6.0%)	+83.8%	-	-
Sales (YoY)	+0.4%	+4.7%	+9.8%	+9.1%	+9.7%	-	-
Japan	47.4%	51.1%	51.6%	54.9%	50.4%	-	+3.1%
Europe	13.9%	14.8%	16.2%	15.6%	13.1%	-	(0.8%)
North America	13.2%	9.7%	10.0%	9.9%	9.9%	-	(3.3%)
Asia	17.7%	13.2%	11.4%	13.0%	13.5%	-	(4.2%)
Overseas	44.8%	37.8%	37.6%	38.5%	36.5%	-	(8.3%)
MV Business	92.2%	88.9%	89.3%	93.5%	87.0%	-	(5.2%)
New Business	7.7%	11.1%	10.6%	6.6%	13.0%	-	+5.2%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	+0.0%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1 07/2016	Q2 07/2016	Q3 07/2016	Q4 07/2016	Q1 12/2016	Q2 12/2016	Net Chg.
Cash & Deposit	2,078	2,267	2,065	1,902	1,934	-	(144)
Accounts Receivables	1,645	1,729	1,892	2,061	1,919	-	+274
Inventory	1,081	1,080	1,213	1,169	1,184	-	+103
Other	179	198	189	185	160	-	(19)
Current Assets	4,985	5,274	5,361	5,318	5,199	-	+214
Tangible Assets	1,009	1,030	1,039	1,037	1,037	-	+27
Intangible Assets	142	134	128	133	122	-	(20)
Investments & Other Assets	360	309	243	246	204	-	(156)
Fixed Assets	1,513	1,474	1,411	1,418	1,364	-	(148)
Total Assets	6,498	6,749	6,772	6,737	6,563	-	+65
Accounts Payables	283	315	318	273	279	-	(4)
Short Term Debt	898	1,089	957	837	917	-	+18
Corporate Bond (Less Than 1 Year)	-	-	-	-	-	-	0
Other	570	529	641	670	491	-	(78)
Current Liabilities	1,752	1,934	1,917	1,780	1,687	-	(64)
Corporate Bond	200	200	200	200	200	-	0
Long Term Debt	362	309	267	233	191	-	(170)
Other	153	150	149	149	145	-	(7)
Fixed Liabilities	715	659	617	583	537	-	(178)
Total Liabilities	2,468	2,594	2,535	2,363	2,225	-	(242)
Shareholders' Equity	3,821	3,966	4,134	4,338	4,322	-	+500
Other	209	188	102	35	16	-	(192)
Total Assets	4,030	4,154	4,237	4,373	4,338	-	+307
Total Liabilities & Net Assets	6,498	6,749	6,772	6,737	6,563	-	+65
Equity Capital	3,872	4,000	4,100	4,237	4,212	-	+340
Interest Bearing Debt	1,461	1,599	1,425	1,270	1,308	-	(152)
Net Debt	(617)	(667)	(640)	(631)	(625)	-	(8)
Equity Capital Ratio	59.6%	59.3%	60.5%	62.9%	64.2%	-	+4.6%
Net-Debt-Equity Ratio	(15.9%)	(16.7%)	(15.6%)	(14.9%)	(14.9%)	-	+1.1%
ROE (12 months)	19.4%	18.2%	16.0%	15.1%	15.3%	-	(4.0%)
ROA (12 months)	11.1%	11.1%	11.4%	13.1%	13.4%	-	+2.3%
Days for Inventory Turnover	146	129	134	133	135	-	-
Inventory Turnover	2.5	2.8	2.7	2.7	2.7	-	-
Quick Ratio	212%	207%	206%	223%	228%	-	-
Current Ratio	285%	273%	280%	299%	308%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1 07/2016	Q1 to Q2 07/2016	Q1 to Q3 07/2016	Q1 to Q4 07/2016	Q1 12/2016	Q1 to Q2 12/2016	Net Chg.
Operating Cash Flow	-	238	-	336	-	-	-
Investing Cash Flow	-	(136)	-	(181)	-	-	-
Operating CF & Investing CF	-	101	-	154	-	-	-
Financing Cash Flow	-	(18)	-	(344)	-	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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