

# Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2020

November 20, 2019

SEIKA CORPORATION  
(TSE Section 1: 8061)

The projections and forward-looking statements contained herein are made or calculated based on the judgment, evaluation, acknowledgement of facts, policy formulation and other deliberation of the management of Seika Corporation in light of information currently available to it.

All statements contained herein, other than historical facts, are projections or forward-looking statements which have been obtained or calculated based on certain assumptions (hypotheses). Projections and forward-looking statements involve inherent risks and uncertainties and may be affected by the future business operations of Seika Corporation, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, and other changes in circumstances. Accordingly, actual figures, results, performance or outcomes may differ materially from the projections and forward-looking statements contained herein.

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## ★ Reference Materials ★



## 1. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020

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# Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020

## Year-on-year comparison

(In million yen)

	2019/3 2Q Result	2020/3 2Q Result	Change (Y o Y)
Net sales	97,676	<b>62,651</b>	-35.9%
Operating income	860	<b>860</b>	0.0%
Ordinary income	992	<b>986</b>	-0.6%
Profit attributable to owners of parent	837	<b>471</b>	-43.7%

Declines in both sales and income

- ▶ Chemicals and Energy Plant business did not record large deliveries in the period.
- ▶ Profit attributable to owners of parent declined due to the effect of the adjustment such as tax expenses.

# Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020

## <Non-consolidated> Differences between initial forecasts and actual results (In million yen)

<Non-consolidated>	2020/3 2Q Initial forecast	2020/3 2Q Result	Change (YoY)	Change (YoY)
Net sales	58,000	54,655	-3,345	-5.8%
Operating income	550	365	-185	-33.5%
Ordinary income	650	445	-205	-31.5%
Profit	450	291	-159	-35.2%

## <Consolidated> Differences between initial forecasts and actual results (In million yen)

<Consolidated>	2020/3 2Q Initial forecast	2020/3 2Q Result	Change (YoY)	Change (YoY)
Net sales	67,000	62,651	-4,349	-6.5%
Operating income	650	860	+210	+32.4%
Ordinary income	750	986	+236	+31.5%
Profit attributable to owners of parent	350	471	+121	+34.6%

# Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020

## Net sales by segment and segment income results

(In million yen)

	Net sales		Income	
	2020/3 2Q Result	Change (YoY)	2020/3 2Q Result	Change (YoY)
Power Plant	21,203	-29.6%	833	+1.1%
Chemicals and Energy Plant	14,951	-63.4%	267	-43.5%
Industrial Machinery	20,456	-2.1%	524	-1.1%
Advanced Materials and Measuring Instruments	559	+1.3%	-85	2019/3 2Q result segment loss 230 million yen
Global Business	5,480	+2.9%	172	+61.0%
<b>Total</b>	<b>62,651</b>	<b>-35.9%</b>	<b>1,712</b>	<b>+0.5%</b>

# Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020

## Amount of orders received and order backlog results by segment

(In million yen)

	Amount of orders received		Order backlog	
	2020/3 2Q Result	Change (YoY)	2020/3 2Q Result	Change (YoY)
<b>Power Plant</b>	28,945	+45.7%	37,794	+39.2%
<b>Chemicals and Energy Plant</b>	17,538	-46.2%	65,068	+11.9%
<b>Industrial Machinery</b>	21,890	-2.2%	65,749	+8.2%
<b>Advanced Materials and Measuring Instruments</b>	672	+75.6%	551	-54.7%
<b>Global Business</b>	6,048	+10.3%	3,390	+29.7%
<b>Total</b>	75,095	-7.0%	172,554	+15.1%



## 2. Consolidated Forecast for the Fiscal Year Ending March 31, 2020

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# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In million yen)

	2019/3 Result	2020/3 2Q Result	<b>2020/3 Forecast</b>	Change (YoY)
Net sales	157,145	62,651	<b>135,000</b>	-14.0%
Operating income	2,118	860	<b>2,400</b>	+13.3%
Ordinary income	2,418	986	<b>2,700</b>	+11.6%
Profit attributable to owners of parent	1,587	471	<b>1,650</b>	+3.9%
Amount of orders received	150,429	75,095	<b>185,000</b>	+23.0%
Order backlog	160,110	172,554	<b>210,000</b>	+31.2%

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

## Net sales by segment and segment income forecasts

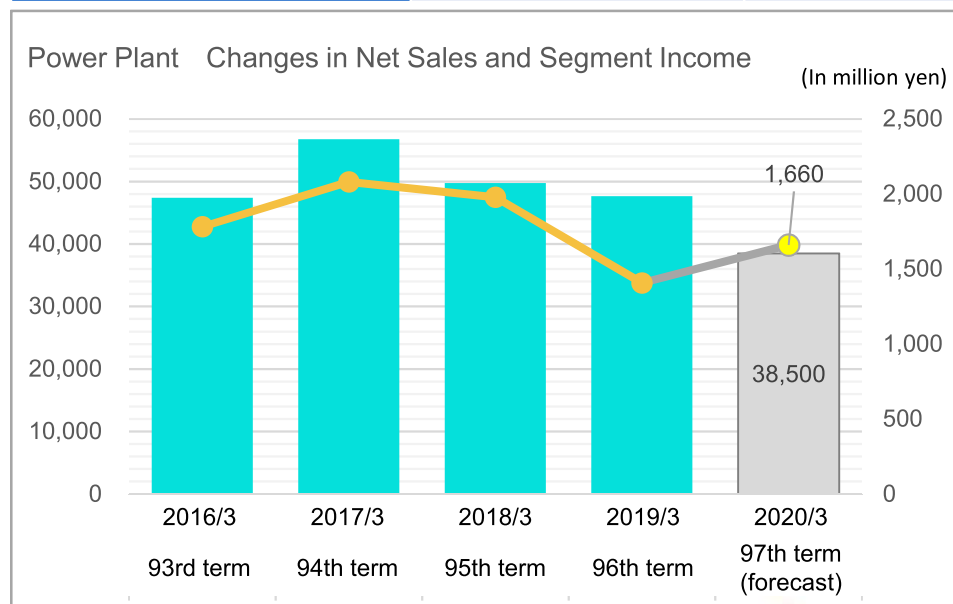
(In billion yen)

	Net sales			Income		
	2020/3 2Q Result	2020/3 Forecast	Change Forecast (YoY)	2020/3 2Q Result	2020/3 Forecast	Change Forecast (YoY)
Power Plant	21.20	<b>38.5</b>	-19.1%	0.83	<b>1.66</b>	+18.0%
Chemicals and Energy Plant	14.95	<b>34.5</b>	-35.6%	0.26	<b>0.82</b>	+8.3%
Industrial Machinery	20.45	<b>47.0</b>	+10.3%	0.52	<b>1.40</b>	+3.1%
Advanced Materials and Measuring Instruments	0.55	<b>2.0</b>	+32.5%	-0.08	<b>0.07</b>	2019/3 result segment loss 0.17 billion yen
Global Business	5.48	<b>13.0</b>	+12.0%	0.17	<b>0.26</b>	-33.3%
<b>Total</b>	62.65	<b>135.0</b>	-14.1%	1.71	<b>4.21</b>	+12.6%

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Power Plant	2019/3 Result	2020/3 1H Result	2020/3 2H Forecast	<b>2020/3 Forecast</b>	Change Forecast (YoY)
Net sales	47.6	21.2	17.3	<b>38.5</b>	-19.1%
Income	1.40	0.83	0.83	<b>1.66</b>	+18.0%
Amount of orders received	40.2	28.9	36.1	<b>65.0</b>	+61.7%
Order backlog	30.0	37.7	—	<b>56.5</b>	+88.3%



## Business Summary

► Remained steady due to regular inspections and renovations.

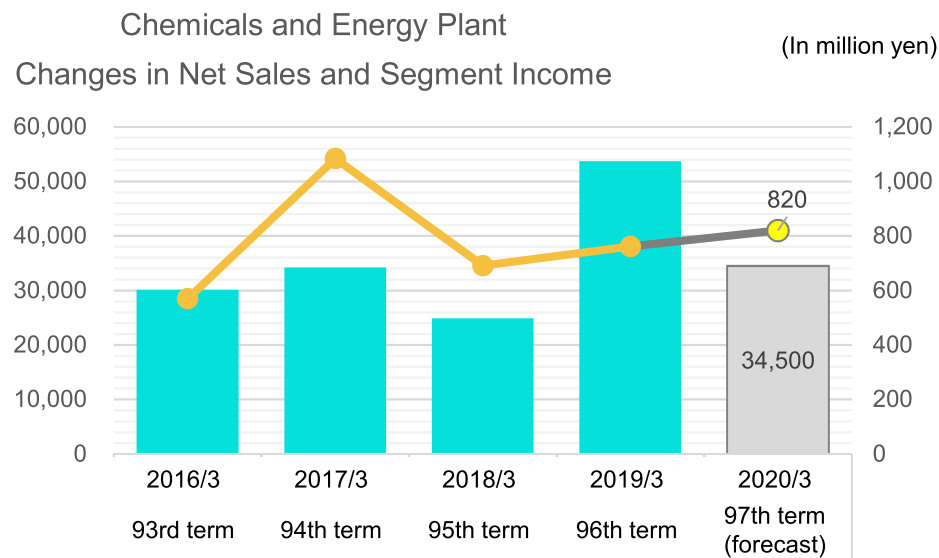
## Second Half Forecast

- Renovation of large components for thermal power plants
- Construction to restart nuclear power plants
- Renovation of hydroelectric power plants is anticipated.

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Chemicals and Energy Plant	2019/3 Result	2020/3 1H Result	2020/3 2H Forecast	<b>2020/3 Forecast</b>	Change Forecast (YoY)
Net sales	53.6	14.9	19.6	<b>34.5</b>	-35.6%
Income	0.76	0.26	0.56	<b>0.82</b>	+8.3%
Amount of orders received	49.8	17.5	28.5	<b>46.0</b>	-7.6%
Order backlog	62.4	65.0	—	<b>74.0</b>	+18.6%



## Business Summary

- ▶ Privately owned power generation equipment for general industry and biomass power generation equipment
- ▶ Received orders of about 7 billion yen for new power generation equipment for steel companies in the first half.

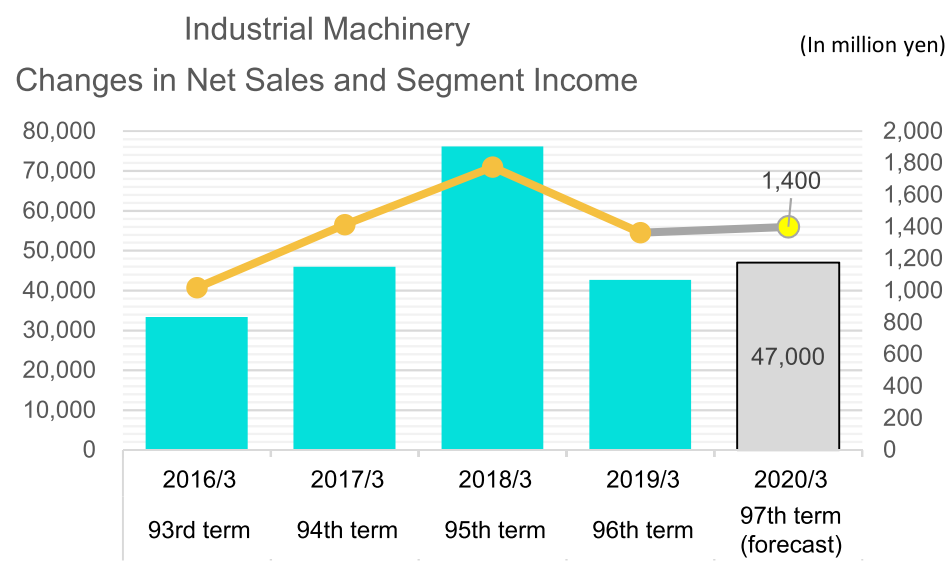
## Second Half Forecast

- ▶ Orders of about 8 billion yen for biomass power generation equipment for paper companies are expected to be received.

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Industrial Machinery	2019/3 Result	2020/3 1H Result	2020/3 2H Forecast	<b>2020/3 Forecast</b>	Change Forecast (YoY)
Net sales	42.6	20.4	27.6	<b>47.0</b>	+10.3%
Income	1.36	0.52	0.88	<b>1.40</b>	+3.1%
Amount of orders received	47.7	21.8	37.2	<b>59.0</b>	+23.7%
Order backlog	64.3	65.7	—	<b>76.0</b>	+18.2%



## Business Summary

- ▶ Sale of equipment and provision of maintenance to customers in a wide range of industries including textiles, films, new materials, food and beverages, and electric vehicles

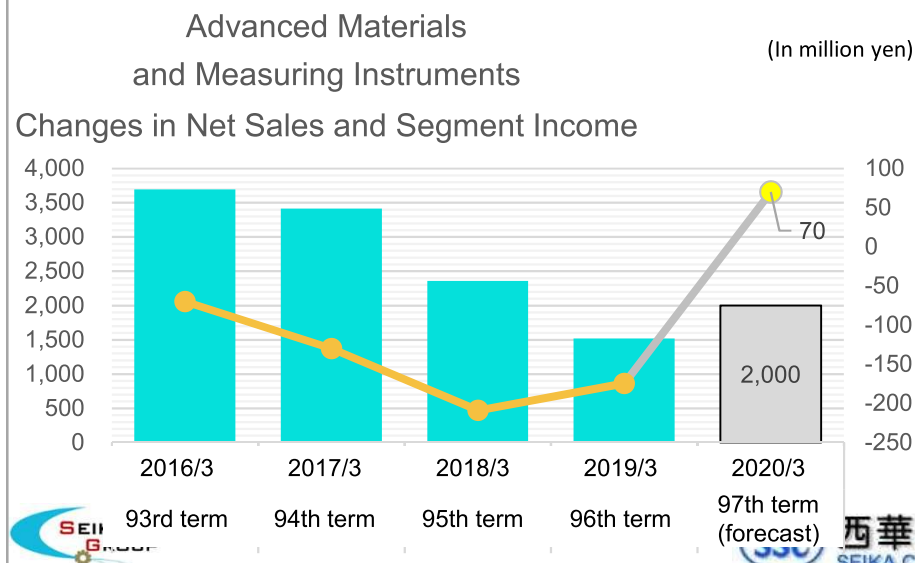
## Second Half Forecast

- ▶ Sales of about 9 billion yen from negotiations regarding lithium-ion battery-related equipment are expected.
- ▶ Orders for biomass power generation equipment for food companies are expected.

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Advanced Materials and Measuring Instruments	2019/3 Result	2020/3 1H Result	2020/3 2H Forecast	<b>2020/3 Forecast</b>	Change Forecast (YoY)
Net sales	1.51	0.55	1.45	<b>2.0</b>	+32.5%
Income	-0.17	-0.08	0.15	<b>0.07</b>	-
Amount of orders received	0.57	0.67	1.33	<b>2.0</b>	+250.8%
Order backlog	0.43	0.55	—	<b>0.5</b>	+16.2%



## Business Summary

▶ Handling of measuring instruments incorporating cutting-edge technologies in Japan and overseas, measuring devices for environmental conservation, water treatment-related devices, and printed circuit boards for electronic devices

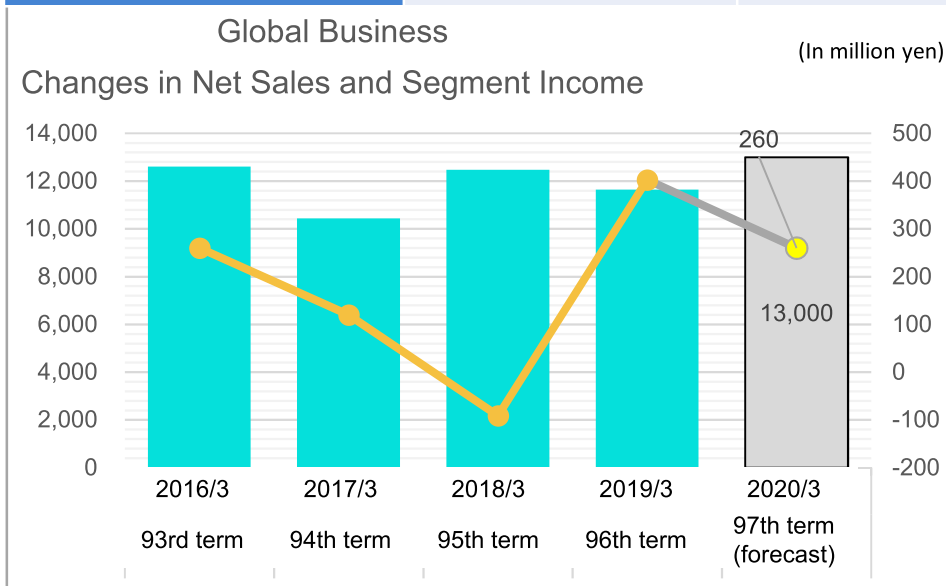
## Second Half Forecast

▶ Aim to break away from a loss by optimizing the business portfolio.

# Consolidated Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Global Business	2019/3 Result	2020/3 1H Result	2020/3 2H Forecast	<b>2020/3 Forecast</b>	Change Forecast (YoY)
Net sales	11.6	5.48	7.52	<b>13.0</b>	+12.0%
Income	0.40	0.17	0.09	<b>0.26</b>	-33.3%
Amount of orders received	12.0	6.04	6.96	<b>13.0</b>	+8.3%
Order backlog	2.82	3.39	—	<b>3.0</b>	+6.4%



## Business Summary

- ▶ The business performance of Tsurumi (Europe) GmbH Group, a subsidiary in Europe, is strong.
- ▶ The business performance of Seika Sangyo (Thailand) Co., Ltd and TIANJIN DAIYA VALVE CO., LTD is steady.

## Second Half Forecast

- ▶ Segment income is expected to be only 260 million yen due to the effects of some subsidiaries with sluggish business performance.

### 3. Medium-Term Management Plan CS2020



# Medium-Term Management Plan CS2020

April 1, 2017 to March 31, 2020

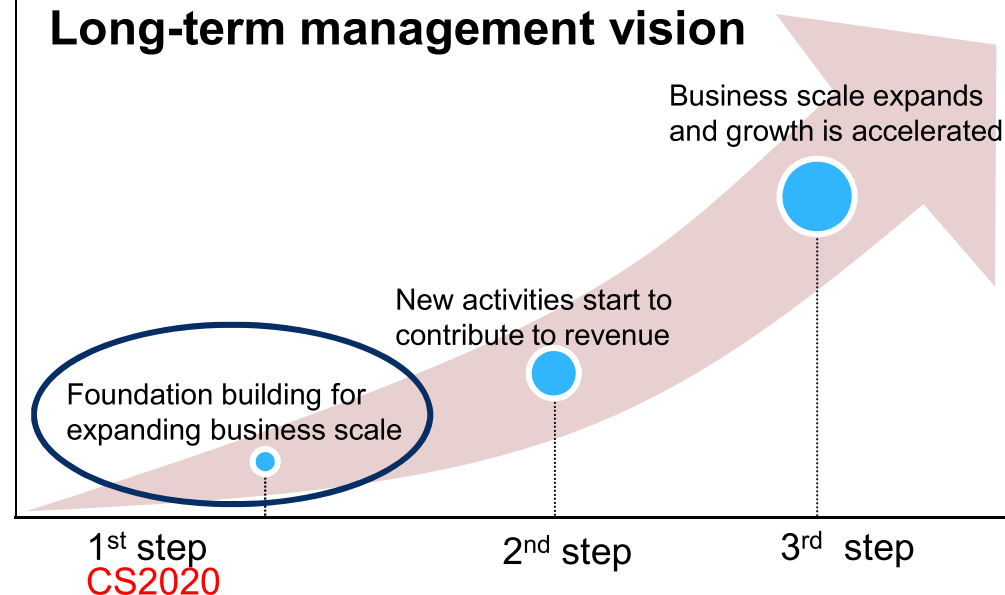
Basic Policy: "Reform and Evolution"

## General Strategies:

1. Creation of new business models
2. Evolution of existing businesses
3. Acceleration of Group management and global strategies
4. Development of human resources and enhancement of workplace environment

First step:  
Positioned as the foundation-  
building stage

## Long-term management vision



## <Numerical targets>

	(In billion yen)		
Profit attributable to owners of parent	2018/3	2019/3	2020/3
Target	2.2	2.4	<b>2.7</b>
Result/Forecast	1.65	1.58	<b>1.65</b> (Forecast)

## 4. Eco-Friendly Product Initiatives

# Eco-Friendly Products Initiatives

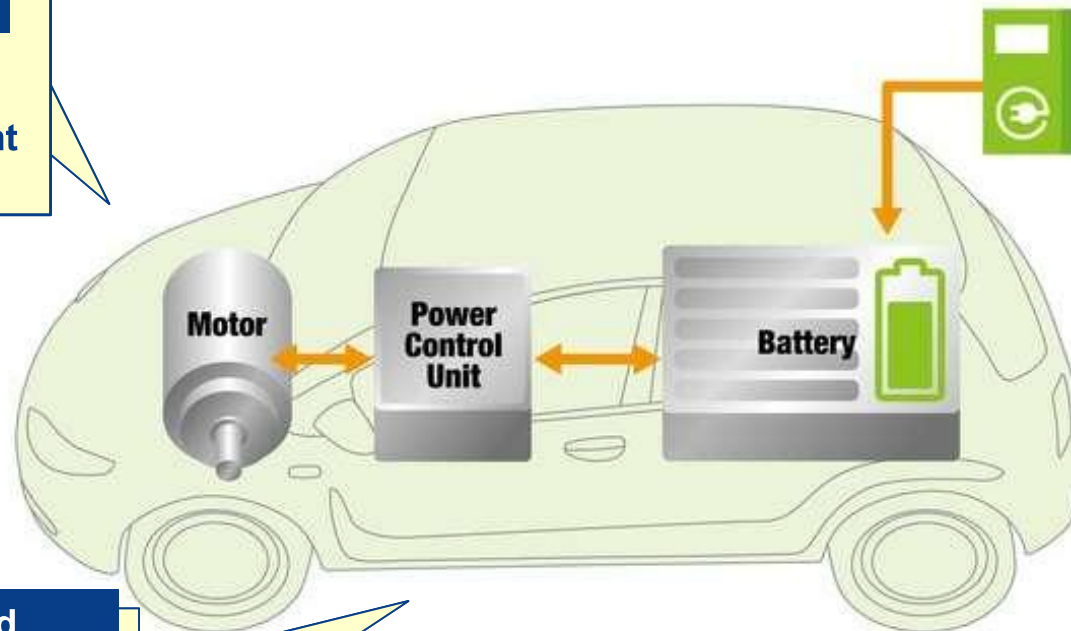
## Electric vehicle-related business

### Driving motor manufacturing equipment

Motor coil winding equipment  
Stator manufacturing equipment  
Varnish application equipment

### Lithium-ion battery-related equipment

Manufacturing equipment for separators and positive/negative-electrode materials, etc.



### Expected orders received in the current fiscal year

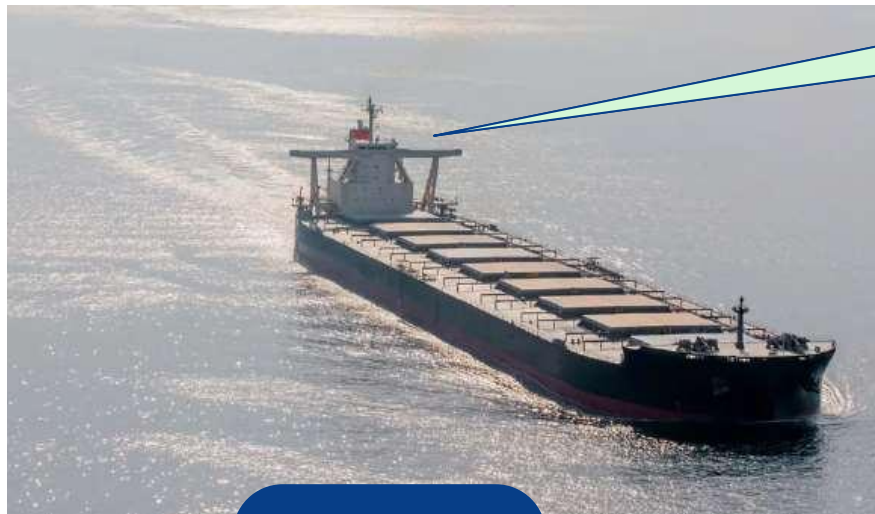
Negotiations regarding lithium-ion battery-related manufacturing equipment  
About 3 billion yen  
Negotiations regarding driving motor manufacturing equipment  
About 1 billion yen

# Eco-Friendly Products Initiatives

## Negotiations regarding exhaust gas cleaning systems (SOx scrubber systems) for ships

### Negotiations regarding exhaust gas cleaning systems (SOx scrubber systems)

Various types of dumpers and valves for the purpose of controlling and shutting off flow rate for piping for emissions gas cleaning systems (SOx scrubber systems) for ships



Expected orders received in the current fiscal year

About 1 billion yen

What is SOx?

Sulfur oxide

### What is the SOx scrubber system?

System to eliminate sulfur oxides (SOx) from exhaust gases from main engines and power generation engines mounted in ships

### What is the MARPOL 73/78? (International Convention for the Prevention of Pollution from Ships)?

The international convention and its protocols to establish a prohibition of the disposal and emission of restricted substances, obligation to report, and procedures for reporting, for the purpose of minimizing pollution of the oceans and seas caused by the navigation of ships and accidents.

### What are the MARPOL SOx regulations?

Control on SOx concentrations in exhaust gases from ships has been strengthened, and the upper limit of sulfur content has been lowered in stages. It will be lowered from 3.5% to 0.5% or less from 2020.

# Eco-Friendly Products Initiatives

## Introduction of laser gas monitor

### Laser gas monitor

- ▶ Measures the concentration of oxygen and carbon monoxide contained in the exhaust gases of thermal power generation equipment and refuse incineration equipment.
- ▶ Measures exhaust gases containing harmful substances such as nitrogen oxide and sulfur oxide.

### Characteristics

- Real-time measurement
- Maintenance free



Expected orders  
received in the  
current fiscal year

About 0.4 billion yen

## 5. Shareholder Returns

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# Shareholder Returns: Dividends

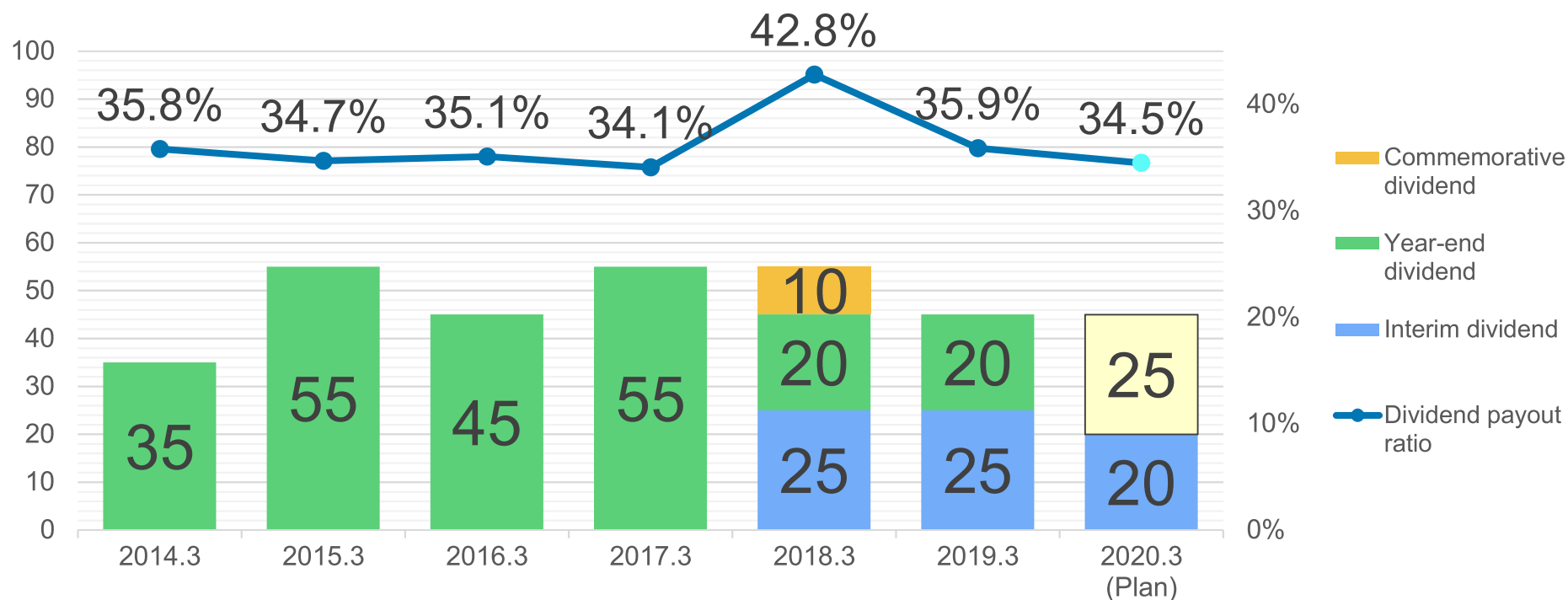
The Company implemented a consolidation of shares at a ratio of one (1) share for every five (5) shares of its common stock with an effective date of October 1, 2017. Results reflect the effect of the consolidation of shares.

## Basic Policy

The Company considers the return of profits to shareholders one of the most important management issues and has a basic policy of paying a stable dividend. While strengthening business foundations through efficient business operations across both an operational and financial perspective, and flexibly responding to funding needs for new business development, etc.,

**the Company targets a consolidated dividend payout ratio of 35%.**

(Unit: Yen)





# Thank you for Your Attention

## Cautionary Note: Forward-Looking Statements

All forward-looking statements contained herein are based on information available to Seika Corporation as of the date hereof and actual results may differ materially from those in the forward-looking statements due to unforeseeable factors or uncertainties.

Figures in billions of yen or millions of yen presented herein are rounded down to the nearest billion yen or to the nearest million yen respectively and numbers may not add up due to rounding.

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