

Our philosophy is to Contribute to Society Through the Expansion of Business.

# Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2022

Evolving into a strong and valuable company through  
changes and challenges.

SEIKA CORPORATION (TSE Section 1: 8061)



SSC SEIKA CORPORATION SEIKA GROUP

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Dear every stakeholders, first of all, I would like to express my sincere appreciation to you all, for your continuous interest in SEIKA CORPORATION.

I am Akihiko Sakurai, President of SEIKA CORPORATION.

Like the briefing for the previous full fiscal year, this financial results briefing for the second quarter of the fiscal year ending March 31, 2022 also takes the form of a video.

I hope that this video presentation will give you a better understanding of SEIKA CORPORATION.

I will now begin the financial results presentation for the second quarter of the fiscal year ending March 31.

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2022

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In this financial results presentation, I would like to explain the matters shown here in this slide.



# 01

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022



## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022

	2021/3 1H Result	2022/3 1H Result	Change (YoY)
Transaction value	70,935 million yen	<b>69,027</b> million yen	<b>-2.7%</b>
Net sales	33,730 million yen	<b>40,452</b> million yen	<b>+19.9%</b>
Operating income	953 million yen	<b>1,304</b> million yen	<b>+36.8%</b>
Ordinary income	1,098 million yen	<b>1,315</b> million yen	<b>+19.8%</b>
Profit attributable to owners of parent	530 million yen	<b>698</b> million yen	<b>+31.6%</b>

	2021/3 1H Result	2022/3 1H Result	Change (YoY)
Amount of orders received	36,996 million yen	<b>41,667</b> million yen	<b>+12.6%</b>
Order backlog	57,282 million yen	<b>62,141</b> million yen	<b>+8.5%</b>

Please look at slide 4.

This slide outlines the income statement for the second quarter. SEIKA CORPORATION was affected by the COVID-19 pandemic, which included customers postponing capital investments. However, performance of our affiliates in Japan and overseas helped achieve a year-on-year increase in both sales and income.

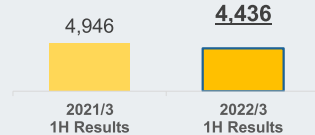
Orders received amounted to 41,667 million yen and the order backlog stood at 62,141 million yen. Both were higher than in the same period of the previous year.



## Business Summary by Segment (Net Sales)

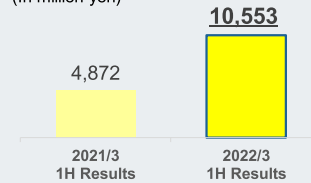
### Power Plant

(In million yen)



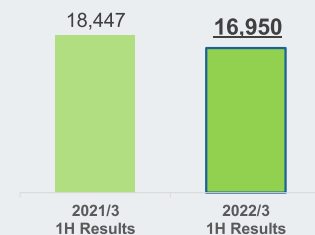
### Chemicals and Energy Plant

(In million yen)



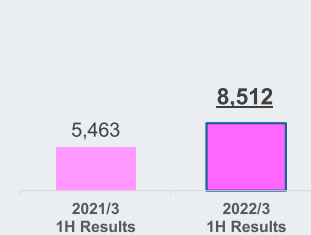
### Industrial Machinery

(In million yen)



### Global Business

(In million yen)



- ◆ Power Plant
  - Sales were down due to regular inspection work, the postponed replacement of equipment and other matters concerning thermal power generation facilities.
- ◆ Chemicals and Energy Plant
  - Seika Daiya Engine Co., Ltd., which became a consolidated subsidiary in the previous fiscal year, helped increase sales.
- ◆ Industrial Machinery
  - Sales rose driven by new biomass power generation equipment for a beverage manufacturer.
  - Sales slid due to the postponement of capital investment during the pandemic.
- ◆ Global Business
  - The selling prices of textile materials for China surged.
  - Sales grew with the help of the sale of a large wastewater treatment system by Seika (Shanghai) Co., Ltd.

This slide shows sales results by segment.

In the Power Plant business and the Industrial Machinery business, sales were almost unchanged from the same period in the previous year.

In the Chemicals and Energy Plant business, Seika Daiya Engine Co., Ltd. helped double the sales figure. It became a consolidated subsidiary in the previous fiscal year.

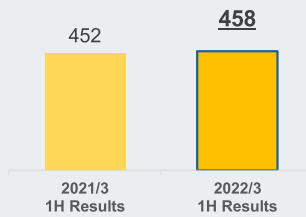
In the Global business, a rise in the selling prices of textile materials for China and other factors led to huge sales growth.



## Business Summary by Segment (Income)

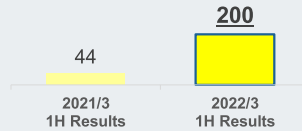
### Power Plant

(In million yen)



### Chemicals and Energy Plant

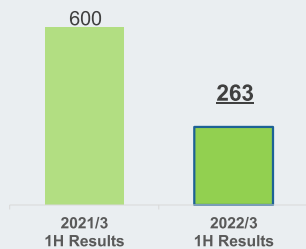
(In million yen)



- ◆ Power Plant
  - Income was almost flat year on year.
- ◆ Chemicals and Energy Plant
  - Income rose, reflecting the strong performance of Seika Daiya Engine Co., Ltd., which became a consolidated subsidiary in the previous fiscal year.

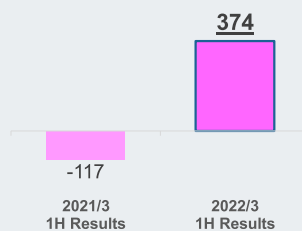
### Industrial Machinery

(In million yen)



### Global Business

(In million yen)



- ◆ Industrial Machinery
  - Results reflect the payment of expenses in some transactions for China.
- ◆ Global Business
  - Affiliates in the United States, Europe and China performed well to expand income.
  - The liquidation of one of the company's businesses manufacturing and selling printed circuit boards in Thailand finished in the previous fiscal year.

I will explain segment income.

In the Power Plant business, at 458 million yen, income was almost unchanged from the same period of the previous year. In the Industrial Machinery business, the figure dropped to 263 million yen after payment of expenses for some transactions for China.

The Chemicals and Energy Plant business and the Global business enjoyed massive income growth following the increase of sales.



## Business Summary by Segment

(In million yen)

	Net sales			Segment income		
	2021/3 1H Result	2022/3 1H Result	Change	2021/3 1H Result	2022/3 1H Result	Change
Power Plant	4,946	<b>4,436</b>	-510	452	<b>458</b>	+6
Chemicals and Energy Plant	4,872	<b>10,553</b>	+5,681	44	<b>200</b>	+156
Industrial Machinery	18,447	<b>16,950</b>	-1,496	600	<b>263</b>	-337
Global Business	5,463	<b>8,512</b>	+3,048	-117	<b>374</b>	+491
Total	33,730	<b>40,452</b>	+6,722	979	<b>1,296</b>	+316

This slide includes a table of net sales and income results for the individual segments. Please see and refer for your reviewing.



# 02

## Consolidated Forecast for the Fiscal Year Ending March 31, 2022

I will now move on the consolidated forecast for the fiscal year ending March 31, 2022.





## Consolidated Forecast for the Fiscal Year Ending March 31, 2022

	2021/3 Result	2022/3 Forecast	Change (YoY)
Transaction value	136,273 million yen	130,000 million yen	-4.6%
Net sales (Note)	- million yen	88,500 million yen	-
Operating income	2,581 million yen	2,850 million yen	+10.4%
Ordinary income	2,906 million yen	3,100 million yen	+6.6%
Profit attributable to owners of parent	2,721 million yen	1,950 million yen	-28.4%

Consolidated forecast is calculated based on the information available to the Company as of this moment.

Net sales in the consolidated forecast are in accordance with the Accounting Standard for Revenue Recognition and the Implementation Guidance.

Net sales under the old standard i.e. if we did not adopt these accounting standards, are disclosed as "transaction value."

	2021/3 Result	2022/3 Forecast	YoY
Interim dividend	20.00 yen	25.00 yen	+5.00 yen
Year-end dividend	25.00 yen	30.00 yen	+5.00 yen
Full-year dividend	45.00 yen	55.00 yen	+10.00 yen

This slide pertains to the consolidated forecasts for the full fiscal year.

As in the forecasts at the beginning of fiscal year, SEIKA CORPORATION continues to be affected by the COVID-19 pandemic and decarbonization while its affiliates in Japan and abroad are performing strongly.

The forecasts are:

Transaction value of 130,000 million yen,  
net sales of 88,500 million yen,  
operating income of 2,850 million yen,  
ordinary income of 3,100 million yen, and  
profit attributable to owners of parent of 1,950 million yen.

They have not been changed from the forecasts at the beginning of the fiscal year.

In consideration of overall business performance, we are planning to pay a full-year dividend of 55 yen per share, up 10 yen from the previous year. It consists of the recently determined 25 yen interim dividend and a year-end dividend of 30 yen.

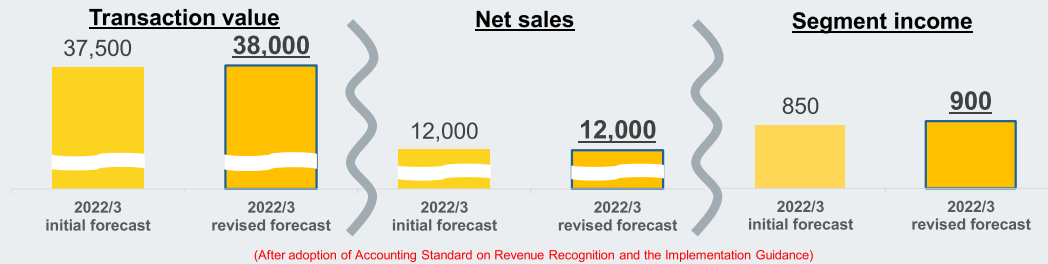


## Consolidated Forecast for the Fiscal Year Ending March 31, 2022 by Segment (Transaction Value, Net Sales and Income)

### Power Plant

- Capital expenditures related to thermal power generation are trending downward.
- Sales of disaster prevention and security-related equipment to nuclear power plants are anticipated.
- Performance will be as planned at the beginning of the fiscal year.

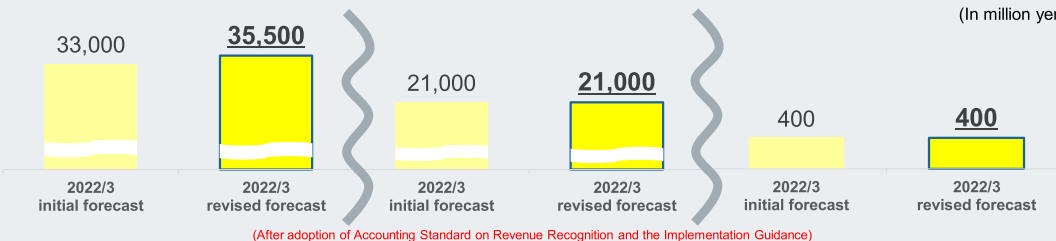
(In million yen)



### Chemicals and Energy Plant

- Seika Corporation and Shikishimakiki Corporation: Mostly unchanged from the previous fiscal year
- Seika Daiya Engine Co., Ltd. : Sales and earnings are positively effecting segment performance.

(In million yen)



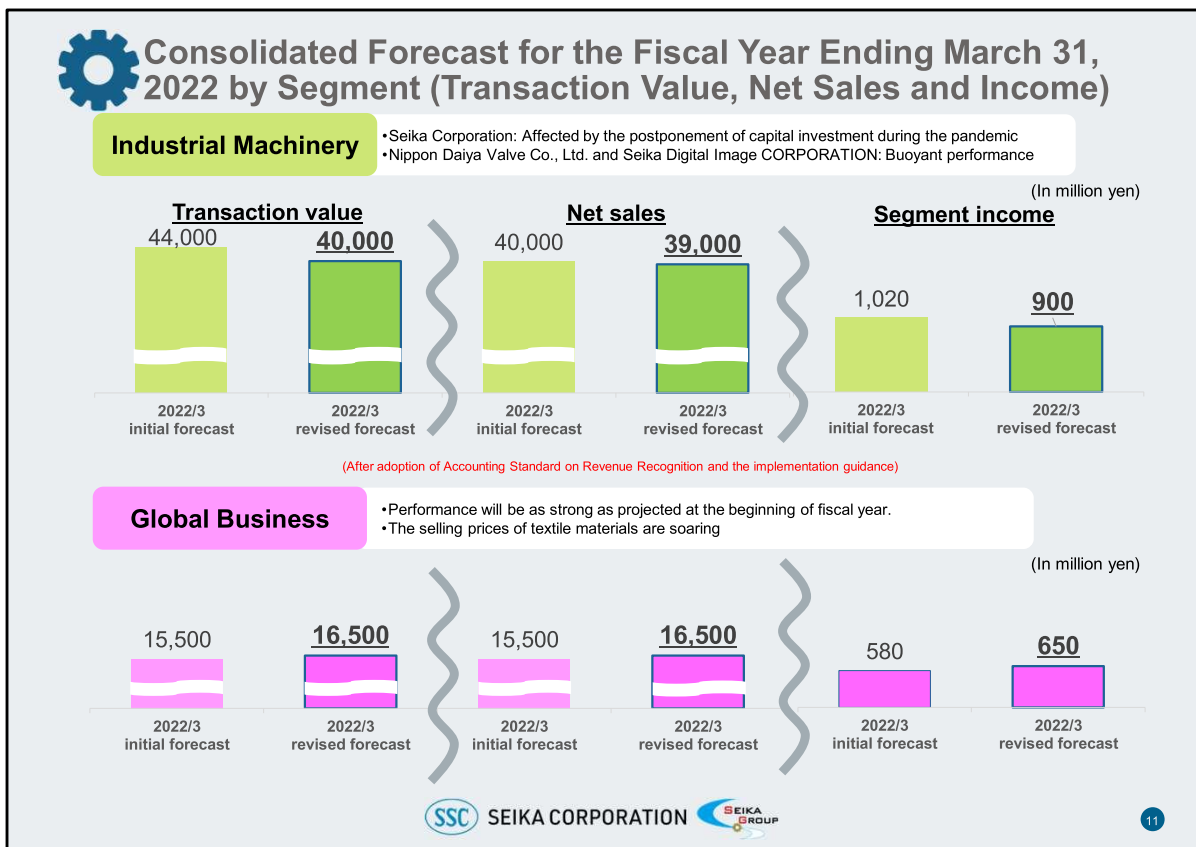
This slide presents full-year forecasts of transaction value, net sales and income by segment.

To date, we anticipate that performance in each segment will be as forecast at the beginning of fiscal year. I will give brief explanations on a segment-by-segment basis.

First, for the Power Plant business, the forecast transaction volume is 38,000 million yen, net sales is 12,000 million yen and segment income is 900 million yen. Despite a decline in investments in thermal power generation equipment, sales of disaster prevention and security related equipment for nuclear power plants are anticipated.

Transaction volume and income are expected to be down by around 30% from the previous fiscal year.

For the Chemicals and Energy Plant business, the forecast transaction volume is 35,500 million yen, net sales is 21,000 million yen and segment income is 400 million yen. These figures will be supported by the performance of Seika Daiya Engine Co., Ltd. Transaction volume and income will both increase considerably.



Moving on to the Industrial Machinery business, the forecast transaction is 40,000 million yen, net sales is 39,000 million yen and segment income is 900 million yen. While SEIKA CORPORATION will be affected mainly by the postponement of capital investment due to the pandemic, the results achieved by Nippon Daiya Valve Co., Ltd. and Seika Digital Image CORPORATION will be buoyant.

Finally, for the Global business, the forecast transaction volume and net sales are both 16,500 million yen, and segment income is 650 million yen. The group led by Tsurumi (Europe) GmbH, selling submersible pumps, will achieve healthy results and the performance of SEIKA (SHANGHAI) CO.,LTD. will recover.

Transaction volume will be up around 40% from the previous fiscal year. Since the liquidation of the printed circuit board operation in Thailand finished in the previous fiscal year, segment income is expected to jump from the negative figure to a positive one.



## Consolidated Forecast for the Fiscal Year Ending March 31, 2022 by Segment

(In billion yen)

	Transaction value			Net sales			Segment income		
	2021/3 Result	2022/3 Forecast	Change	2021/3 Result	2022/3 Forecast	Change	2021/3 Result	2022/3 Forecast	Change
Power Plant	52.4	<b>38.0</b>	-14.4	-	<b>12.0</b>	-	1.32	<b>0.90</b>	-0.42
Chemicals and Energy Plant	28.4	<b>35.5</b>	+7.1	-	<b>21.0</b>	-	0.08	<b>0.40</b>	+0.32
Industrial Machinery	43.6	<b>40.0</b>	-3.6	-	<b>39.0</b>	-	1.17	<b>0.90</b>	-0.27
Global Business	11.6	<b>16.5</b>	+4.9	-	<b>16.5</b>	-	-0.007	<b>0.65</b>	+0.65
Total	136.2	<b>130.0</b>	-6.2	-	<b>88.5</b>	-	2.58	<b>2.85</b>	+0.27

Note: Net sales figures are in accordance with the Accounting Standard for Revenue Recognition and the Implementation Guidance.

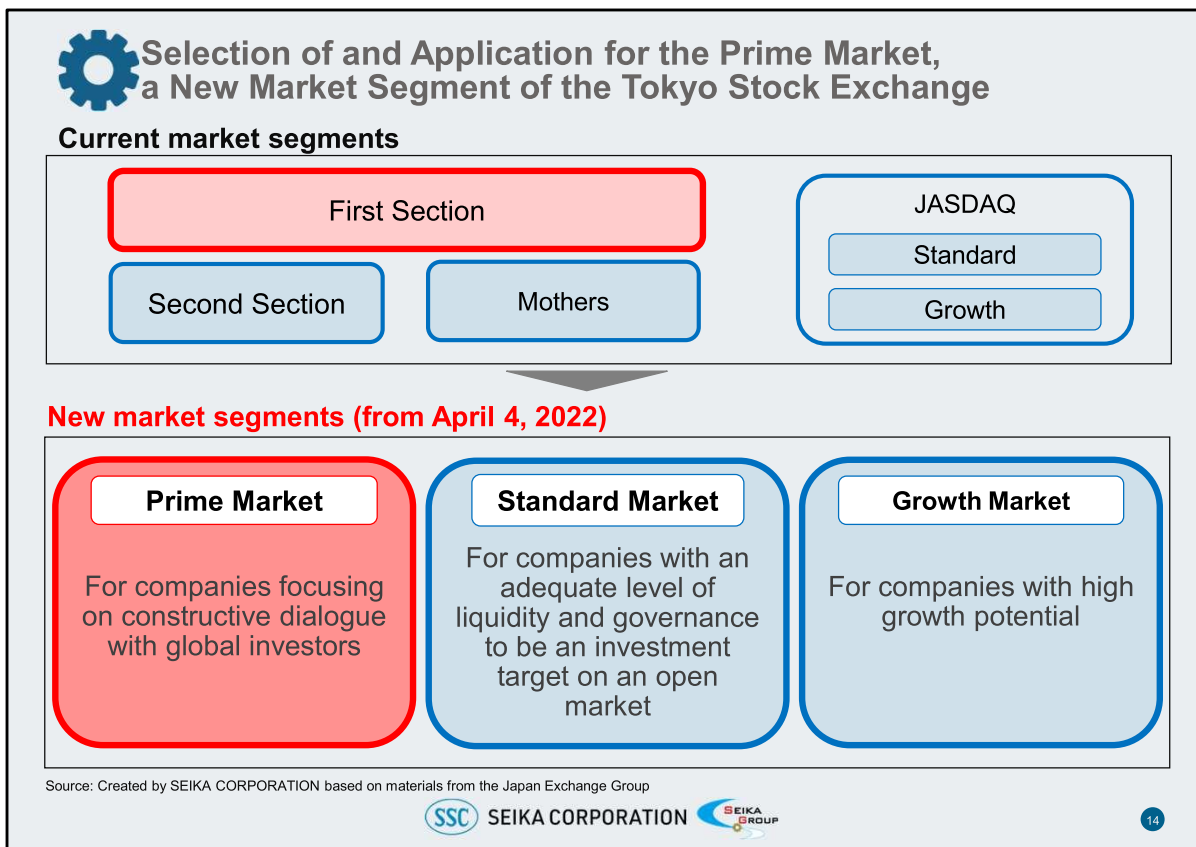
This slide includes a table showing the transaction volume, net sales and income forecasts for the individual segments. Please see and refer for your reviewing.

From the current fiscal year, net sales figures are in accordance with the Accounting Standard for Revenue Recognition and the Implementation Guidance. The figure equal to the net sales of previous fiscal years is disclosed as transaction value.



# 03 Topics

This section introduces various topics relating to the Seika Group.



Let me start by talking about our selection of the Prime Market as our new market segment on the Tokyo Stock Exchange. We announced our selection on November 5.

We were first listed on the First Section of the Tokyo Stock Exchange in 1961. We have since gained the confidence of society and have enjoyed the support of many shareholders in our growth.

This past July, we received a notice that we conform with the criteria of the Tokyo Stock Exchange's Prime Market.

We understand that this new market segment is designed to include companies that have sufficient market value to be investment targets and that have a very high level of governance and an excellent revenue base.

Under the drastically changing business circumstances surrounding us, we made a courageous decision to select the Prime Market based on our idea that our efforts toward fulfilling the expectations required for companies by the Prime Market would bring us sustainable growth and increased corporate value.

We also believe that this decision will help our Group's personnel, including our employees, feel fulfilled in their work and be motivated to improve the quality of their work as members of a company listed on the Prime Market. This will drive the Group's growth.

Now that we have selected the Prime Market, we will work hard to provide high profit returns to our institutional investors and shareholders.



## Environmental Action at SEIKA CORPORATION



### Laser-based gas concentration meter

#### (Features)

- A laser is used for real-time measurement.
- No maintenance is required.

#### Measuring oxygen and carbon monoxide concentrations in exhaust gases

- Optimal combustion in thermal power generation equipment and in waste incineration equipment to reduce CO<sub>2</sub> emissions
- Collaboration with Chugai Technos Corporation, a major measuring service operator

#### Measuring hydrogen sulfide and hydrogen fluoride

- Starting promotional actions in partnership with HORIBA, Ltd., a leading manufacturer of measuring instruments



The Seika Group is working on environmental products. This page and the next features two of these products.

The first is a laser gas concentration meter. We import it from Norway-based NEO Monitors AS and distribute it.

It measures the concentration of oxygen and carbon monoxide in exhaust gases from thermal power generation equipment and waste incineration equipment to support optimal combustion leading to the reduction of CO<sub>2</sub> emissions.

For maintenance, we work with Chugai Technos Corporation, a major measuring service operator.

For the hydrogen sulfide and hydrogen fluoride concentration meter that has recently been developed by NEO Monitors AS, we started promotional activities in partnership with HORIBA, Ltd., a leading manufacturer of measuring instruments.

We have great hopes for NEO Monitors' products as our customers are very interested in them.





## Environmental Action at Seika Daiya Engine Co., Ltd.



**Akita Local Office** launched in July 2021



### ✓ Actions for the offshore wind power generation market

- Understand trends in the offshore wind power generation market in all of Akita Prefecture and share information
- Endeavor to win orders related to offshore wind power generation with a view towards the creation of a carbon-free society



### Agreement reached for mutual partnership with Euglena Co., Ltd.

- ✓ First supply of the SUSTEO next-generation biodiesel fuel for engines for fishing boats
- ✓ Build a cooperative relationship to collaborate for the active utilization of biofuel



\* What is the SUSTEO next-generation biodiesel fuel?  
 It is an environmentally friendly biofuel produced mainly from used edible oils and microalgae such as Euglena.  
 It is regarded as a carbon-neutral fuel because the plant absorbs carbon dioxide in the photosynthetic process when it grows.



On this second slide, we are looking at the actions of Seika Daiya Engine Co., Ltd., which deals in engines for ships.

Seika Daiya Engine Co., Ltd. established a local office in the city of Akita in July 2021. This city is a center for the construction of offshore wind power generation facilities, which are sources of renewable energy. It aims to obtain business deals regarding ships working on the construction and maintenance of these facilities.

It has already started several business negotiations. They are expected to increase revenue.

Another action of this subsidiary is the formation of a partnership with Euglena Co., Ltd. in the supply of fuel for fishing boats. This company is famous for its biofuel produced from oil derived from a microalgal species of the same name.

This partnership draws the attention of the government and fishery-related companies as it can help realize the goal of conserving and sustainably using the oceans, one of the Sustainable Development Goals (SDGs).



## Semiconductor-Related Actions at SEIKA CORPORATION



**Aiming to capture demand for research and development focusing on 3D integration technologies**

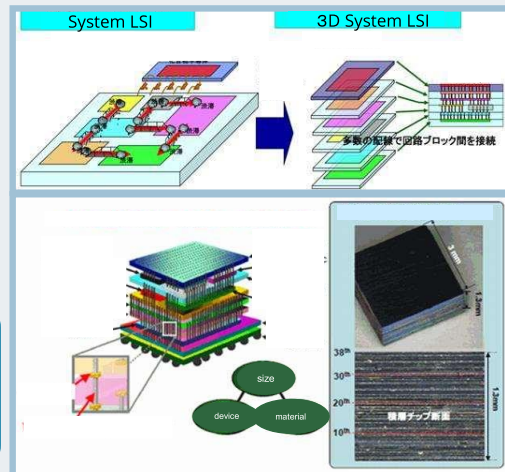
**Demand for high-end semiconductor development**



**A trend towards the development of 3D integration technologies for vertically stacking different types of semiconductor chips**

**SEIKA CORPORATION**

**Undertaking the commissioned development of 3D integration technologies from a major semiconductor manufacturer**



Now let me move on to our business related to state-of-the-art technology.

At the moment, the whole world is facing a semiconductor shortage, and this affects manufacturing. In new fields such as IoT, 5G infrastructure and electric vehicles, the evolution of electronic devices is essential. There is a need to develop high-end semiconductors for these new fields.

We are working to promote commissioned production in collaboration with Tohoku-MicroTec Co., Ltd., a venture that has developed a new 3D integration technology for vertically stacking different types of semiconductor chips.

This development has been commissioned by a major semiconductor manufacturer to support the development of 3D integration technologies. This deal includes prototyping and small lot production.

Demand for storage memory is likely to rise. We hope that our semiconductor-related business will develop into a new source of revenue.



## New action at SEIKA CORPORATION (Drone Business)



### Plant equipment inspections using UT drones

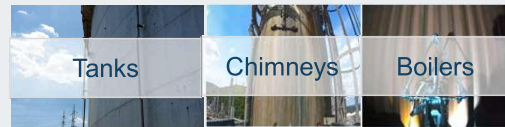


#### Ultrasonic inspection feature

No scaffold required  
Curtailing inspection time  
and cost

Service launched in March 2021

**Both hope and demand  
are increasing.**



The final topic in this presentation is the drone business. It is a new initiative.

Today, drones are used in many different business sectors, such as photography, videography and delivery businesses.

We have formed a tie-up with Terra Drone Corp., the world's second largest operator of industrial drone services to engage in services inspecting gas holders in steelworks, boiler equipment in chemical companies and other structures.

Traditionally, scaffolds were erected to directly inspect the equipment. Drones equipped with ultrasonic features enabled inspection processes to be shorter and lower cost.

Since its launch in March 2021, this business has been steadily building up a track record.

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.

**IR Contact**

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This is the end of the financial results briefing for the second quarter of the fiscal year ending March 31, 2022.

We sincerely would like to expect your continuous interest and support.

Those who are Institutional investors, please address to our Strategical Planning Department, in case if you may have any questions about the briefing.

Those who are individual investors, please address to our General Affairs & Personnel Department, in case if you may have any questions about the briefing.

Thank you very much for your time.