

Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2023: Q&A

(Questions answered by:)

Akihiko Sakurai, President

Tomoaki Hasegawa, Director and Senior Executive Officer

<Question 1>

You forecast net sales to grow and income to decrease for the current fiscal year. What is the reasoning behind this outlook?

<Answer 1>

(Hasegawa)

There are various positive and negative factors involved in the whole. The biggest factor that contributes to our outlook is the fuel business in the Power Plant segment. It has a significant impact on net sales while its profitability is poor. Its impact on financial results is huge.

<Question 2>

421 million yen was posted in share of loss of entities accounted for using equity method for the first half. What are the details of this?

Did you anticipate it at the beginning of fiscal year? And do you anticipate any loss in the second half?

<Answer 2>

(Hasegawa)

Forecasts and results of share of profit or loss of entities accounted for using equity method are as follows.

2023/3 1H — Initial forecast: -222 million yen, Result: -421 million yen

2023/3 2H — Forecast (revised): -22 million yen

2023/3 — Forecast (revised): -443 million yen

[Supplementary explanations]

The principal reason for the share of loss of entities accounted for using equity method is the performance of Meinan Kyodo Energy Co., Ltd., a power generation operator. The increase in coal prices beyond expectations resulted in poorer profitability for the first half than initially forecast.

In the second half, the loss will contract massively since profitability will be hugely improved after the coal price settles slightly and some of the unit prices of electricity sold to general users are increased. We will continue to improve the balance sheet.

<Question 3>

You kept the full-year profit forecast on hold despite a greater share of loss of entities accounted for using equity method than initially forecast. Does that mean that you anticipate some gain?

<Answer 3>

(Hasegawa)

We forecast some gain on the sale of cross-held shares in the second half, as we did in the first half.

<Question 4>

What is your outlook for the next fiscal year?

<Answer 4>

(Sakurai)

We are currently studying to formulate the next medium-term business plan. We will be announcing it next March. We are still not ready to talk about numerical figures. On the whole, we have a bright outlook, since we expect to win new commercial rights in the Power Plant business and to make some equity investments. In the Industrial Machinery business, the performance of subsidiary Nippon Daiya Valve Co., Ltd. was brisk. We forecast results to be as high as in the current fiscal year. On the other hand, subsidiaries in China and in Southeast Asia were unable to carry out sufficient sales activities. Their business talks themselves were stagnant. The situation in the next fiscal year will be similar to that in the current one. Overall results are expected to be comparable with those for the ongoing fiscal year.

<Question 5>

You explained that you had begun considering increasing production at Nippon Daiya Valve Co., Ltd. Has the increase in production been confirmed? And when will it be done?

<Answer 5>

(Sakurai)

Details are still being considered. Its main plant is located in Shinagawa-ku in Tokyo. Due to space constraints, the action will center on either the rearrangement of production lines or the improvement of efficiency. We are still unable to announce specific details. After they are confirmed, we will explain them in a financial results briefing or other event.

<Question 6>

At the end of October, Hikari Tsushin K.K. submitted a large shareholding report. According to it, it held 10.38% of your shares. What is your perspective on that?

<Answer 6>

(Sakurai)

We provide information to Hikari Tsushin K.K. and have regular communications with it. We will continue our efforts to steadily achieve results and pay stable dividends in order to meet its expectations.

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.