

Financial Results Briefing for the Fiscal Year Ended March 31, 2022 : Q&A

(Questions answered by:)

Yasumasa Kawana, Senior Managing Executive Officer

<Question 1>

What actions will you be taking in association with viewing digital transformation from a broad perspective to seek business opportunities as defined regarding the priority business domains in the Long-Term Vision?

<Answer 1>

(Kawana)

We will be focusing on inspection services using drones as mentioned in the Financial Results Briefing. The provision of services has already accelerated in this business. We started with the measurement of the thickness of tanks and chimneys. We will expand the business to other inspections and the monitoring of facilities. Based on multiple types of data obtained from measurements, we will offer solutions that are suited to the customer's needs.

(Questions answered by:)

Hirohisa Masuda, Managing Executive Officer

<Question 2>

According to the consolidated forecast for the fiscal year ending March 31, 2023, net sales are expected to rise and income to fall year on year in the Power Plant business and in the Chemicals and Energy Plant business. What are reasons for the decline in income in the two segments?

<Answer 2>

(Masuda)

Both segments are susceptible to whether or not there were any large projects in the fiscal year. The forecast decreases in income are not due to sluggish business performance.

(Questions answered by:)

Akihiko Sakurai, President and CEO

<Question 3>

You explained that the industrial drone services would be launched shortly. Specifically, when will they be launched?

<Answer 3>

(Sakurai)

The inspection services using drones were launched in March 2022 and they have achieved fairly strong results. The embankment material quality test system will be released shortly. Seika Digital Image CORPORATION, one of our subsidiaries, and NISHIMATSU CONSTRUCTION CO., LTD. have jointly developed this system, and it will be released after completion of the demonstration trial.

(Questions answered by:)

Akihiko Sakurai, President and CEO

<Question 4>

In connection with the change report on large-volume holdings published by HIKARI TSUSHIN K.K. on April 7, the percentage of joint holdings by HIKARI TSUSHIN and UH Partners 2, Inc. changed from 7.08% to 8.36%. What is your view on this change, and what is the opinion of HIKARI TSUSHIN about it?

<Answer 4>

(Sakurai)

We are aware of this change. Earlier, we met with HIKARI TSUSHIN. At that time, we explained the details of our business operations. HIKARI TSUSHIN did not express any particular requests, and understood our financial results, determined the shareholding ratio and invested in the stock.

(Questions answered by:)

Akihiko Sakurai, President and CEO

Tomoaki Hasegawa, Senior Executive Officer

<Question 5>

For the fiscal year ended March 31, 2022, operating income was initially forecast to be 2.8 billion yen and it ended at 3.8 billion yen. The result was much higher than the forecast. What do you think about this? Was it that your estimate was conservative, or that operating income was higher than expected?

<Answer 5>

(Hasegawa)

There are many different factors behind the major leap in operating income. Among them, the growth in the results of the consolidated subsidiaries was significant. Our understanding is that the figure was higher than expected, rather than the initial forecast being conservative.

Strongly performing consolidated subsidiaries include Seika Daiya Engine, Tsurumi (Europe), SHIKISHIMAKIKI and Nippon Daiya Valve.

(Sakurai)

The increase in the selling prices of textile materials to the Chinese subsidiary also led to the

increase in operating income. It was difficult to forecast the results of affiliated companies, because of the COVID-19 pandemic and their overseas operations.

(Questions answered by:)

Akihiko Sakurai, President and CEO

<Question 6>

How did the increase in the selling prices of textile materials in China occur?

<Answer 6>

(Sakurai)

Overall material prices of chemical products surged sharply. Accordingly, the selling prices of the textile materials in question doubled and tripled.

In the current fiscal year, the selling prices are maintaining their levels after the increase.

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.