Financial Results Briefing for the Fiscal Year Ended March 31, 2018

SEIKA CORPORATION

(TSE Section 1: 8061)

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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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Hello everyone.
My name is Akihiko Sakurai and I became President of Seika Corporation in April.

I would like to begin by expressing my sincere appreciation to you all for your continued interest in Seika Corporation and for your attendance at today's financial results briefing.

Before the financial results presentation, I would just like to say a few words.
Thanks to all the support you have given us throughout the years since our founding in 1947, Seika Corporation celebrated its 70th anniversary in October last year.
I would like to take this opportunity to express my heartfelt gratitude to you all.
In recent years, the business environment in which we operate has changed at a dizzying pace and I imagine that we will also probably face a challenging business environment in the future.

No matter how society changes, we are committed to achieving sustainable growth by optimizing the allocation of our management resources in order to continue being a Valuable Business that contributes to society.
We look forward to your continued support and loyalty in the future.

I will now move on to the financial results presentation for the fiscal year ended March 31, 2018.

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In today’s presentation, I will discuss our financial results under the nine headings shown here, which include Consolidated Financial Results, Medium-Term Management Plan and Topics.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (1)

(In billion yen)

	2017/3	Revised forecast (announced Feb. 2018)	2018/3	Change (%)
Net sales	150.7	160.0	**165.5**	+9.8%
Gross profit	14.65	—	**14.58**	-0.5%
Operating income	3.04	2.20	**2.59**	-14.7%
Ordinary income	3.39	2.50	**2.87**	-15.1%
Profit attributable to owners of parent	2.14	1.50	**1.65**	-22.7%

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I will begin by presenting a summary of our consolidated financial results for the fiscal year ended March 31, 2018.

As you can see, the Group's business results were:

net sales of 165.5 billion yen;

gross profit of 14.58 billion yen;

operating income of 2.59 billion yen;

ordinary income of 2.87 billion yen; and

profit attributable to owners of parent of 1.65 billion yen.

I will explain the results in further detail based on the next slide.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (2) (by segment)

(In billion yen)

	Net sales		Income	
	2018/3	Change (%)	2018/3	Change (%)
Power Plant	49.7	-12.4%	1.97	-5.0%
Chemicals and Energy Plant	24.8	-27.2%	0.69	-36.2%
Industrial Machinery	76.1	+65.7%	1.77	+25.5%
Advanced Materials and Measuring Instruments	2.3	-30.9%	-0.20	-60.8%
Global Business	12.4	+19.6%	-0.09	-175.4%
Total	165.5	+9.8%	4.14	-9.3%

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This is a summary of net sales and income by segment.

The Power Plant and Chemicals and Energy Plant businesses posted declines in net sales and income, reflecting a decrease in the delivery of periodic inspection work, etc.

The Industrial Machinery business posted gains in net sales and income reflecting steady deliveries mainly of equipment related to lithium-ion batteries.

The Advanced Materials and Measuring Instruments business recorded declines in net sales and income due to a decrease in deliveries of printed circuit board materials and the poor performance of a related subsidiary.

Finally, Global Business posted lower income due to the impact of provision of allowance for doubtful accounts due to transactions involving raw materials for textiles at a subsidiary in China and the impact of a delay in the start of mass production at a printed circuit board manufacturing and sales subsidiary in Thailand, which offset strong performances by European and US subsidiaries.

Though not shown on the slide,
the Group’s overseas net sales were 25.945 billion yen,
which accounts for 15.7% of the Group’s total net sales.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (1)

(In billion yen)

	2018/3 Result	2019/3 Forecast	Change	Change (%)
Net sales	165.5	**175.0**	9.50	**+5.7%**
Operating income	2.59	**3.10**	0.51	**+19.3%**
Ordinary income	2.87	**3.40**	0.53	**+18.1%**
Profit attributable to owners of parent	1.65	**2.20**	0.55	**+32.9%**

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Next, I will explain our consolidated forecast for the fiscal year ending March 31, 2019.

Looking at the business environment in which we operate, despite delays in nuclear restarts and adverse conditions for coal fired power generation in the power sector, the outlook for capital spending in industry in general is starting to look brighter, with acceleration of the shift to electric vehicles in China and the introduction of automated equipment associated with the promotion of workstyle reform, and we will step up our activities to ensure that this upturn in capital spending contributes to our business results.

In this business environment, we expect to post gains in net sales and income as shown here, and we forecast:
net sales of 175.0 billion yen;
operating income of 3.1 billion yen;
ordinary income of 3.4 billion yen; and
profit attributable to owners of parent of 2.2 billion yen.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (2) (by segment)

(In billion yen)

Net sales forecast	First half	Second half	Full year
Power Plant	30.0	13.0	**43.0**
Chemicals and Energy Plant	39.0	17.0	**56.0**
Industrial Machinery	25.0	35.0	**60.0**
Advanced Materials and Measuring Instruments	1.0	2.0	**3.0**
Global Business	5.0	8.0	**13.0**
Total	100.0	75.0	**175.0**

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Here is a summary of our net sales forecasts by segment.

As you can see, on a full-year basis, we forecast net sales of:
43 billion yen in the Power Plant business;
56 billion yen in the Chemicals and Energy Plant business;
60 billion yen in the Industrial Machinery business;
3 billion yen in the Advanced Materials and Measuring Instruments business; and
13 billion yen in the Global business,
…making total net sales of 175 billion yen.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (3) (by segment)

(In billion yen)

	Net sales forecast
Power Plant	43.0
Chemicals and Energy Plant	56.0

Power Plant

- Focus on areas such as nuclear restarts and construction work to protect plants against terrorists
- Also assign human resources to Hokkaido area

Chemicals and Energy Plant

- Expect large deliveries of coke oven facilities to oil companies amounting to around 26 billion yen
- Involved in negotiations related to biomass power generation and other renewable energy and negotiations about chemicals plants with overseas customers

Power Plant

Chemicals Plant

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Next, I will explain our forecasts for each segment for the fiscal year ending March 31, 2019.

First, in our core Power Plant business, coal fired power generation, which is our area of expertise, are facing adverse conditions but we will continue to focus on other areas such as nuclear restarts and construction work to protect plants from terrorist in a bid to receive orders.
We will also assign human resources to the Hokkaido area where there has been a lack of human resources in the past and translate this into Power Plant business revenues.
We forecast net sales in the Power Plant business of 43 billion yen, slightly down year on year but remaining stable.

Turning next to the Chemicals and Energy Plant business, we expect large deliveries of coke oven facilities for oil companies amounting to around 26 billion yen in the current fiscal year, and net sales are likely to rise sharply from the previous year, to 56 billion yen.
We are also involved in negotiations related to biomass power generation and other renewable energy and negotiations about chemicals plants with overseas customers.
The future looks promising.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (4) (by segment)

(In billion yen)

	Net sales forecast
Industrial Machinery	60.0
Advanced Materials and Measuring Instruments	3.0

Industrial Machinery

●Net sales of lithium-ion battery-related equipment are expected to reach around 20 billion yen

●Focus on areas such as negotiations about automated equipment

Advanced Materials and Measuring Instruments

●Deliveries of printed circuit boards and various types of measuring instruments and recovery of business results of subsidiaries are expected

Lithium-ion battery


Printed circuit board


Laser gas monitor

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Moving onto the Industrial Machinery business, we forecast net sales of 60 billion yen on a full-year basis.

In the previous fiscal year, net sales rose sharply, to 76 billion yen, reflecting large deliveries of power plant facilities for PPS amounting to around 26 billion yen.
In the current fiscal year, while there will be no deliveries of power plant facilities like those recorded the previous fiscal year, we expect net sales of equipment related to lithium ion batteries to increase by just over 10 billion yen, reaching around 20 billion yen.
Sales of other industrial machinery will be mostly unchanged from the previous fiscal year, and we forecast total net sales in the Industrial Machinery business of 60 billion yen.
We will focus on activities such as negotiations about lithium-ion battery related equipment and automated equipment to bring net sales up to the year-ago level.

Looking next at the Advanced Materials and Measuring Instruments business, we anticipate deliveries of printed circuit boards and various types of measuring instruments and the recovery of the business results of subsidiaries, and forecast net sales of 3 billion yen.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (5) (by segment)

(In billion yen)

	Net sales forecast
Global Business	13.0

Global Business

● Strong performances of equipment sales subsidiaries in Europe, the US and Thailand

●Signs of recovery in earnings of Chinese subsidiary and printed circuit board manufacturing and sales company in Thailand

Tsurumi (Europe) GmbH
Submersible pump

Seika Sangyo (Thailand) Co., Ltd.
Industrial machinery for the automotive, chemicals and textiles industries

Seika Sangyo GmbH
Industrial machinery, electronics equipment and information technology systems

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Finally, I would like to explain the results of the Global Business.
We forecast net sales of 13 billion yen, which is mostly unchanged year on year.

We expect our equipment sales subsidiaries in Europe, the US and Thailand to maintain the strong performances seen the year before.
Global Business results the year before were affected by the recording of an allowance for doubtful accounts due to poor performance of a Chinese subsidiary and the failure of business partners and delays in the start of mass production at a printed circuit board manufacturing and sales subsidiary in Thailand.
While neither of these companies will make a significant contribution to overall performance in the current fiscal year, they appear to be on the road to recovery and we have high expectations of them from next fiscal year.

Medium-Term Management Plan CS2020: Progress in the First Fiscal Year

First fiscal year

(In billion yen)

Profit attributable to owners of parent	2018/3	2019/3	2020/3
Target	**2.2**	2.4	2.7
Result	**1.65**		
Forecast for current fiscal year		2.2	

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Next, I would like to discuss the progress made in the first fiscal year of our Medium-Term Management Plan CS2020.

Our target for profit attributable to owners of parent in the first fiscal year of the plan was 2.2 billion yen but, as explained earlier, actual profit attributable to owners of parent was 1.65 billion yen.
We believe that our failure to achieve the target is largely due to temporary factors such as extraordinary losses related to subsidiaries.

In the current fiscal year, which corresponds to the second year of the Medium-Term Management Plan, we forecast profit attributable to owners of parent of 2.2 billion yen compared to a target of 2.4 billion yen.
In every segment, we will be sure to implement measures with a sense of urgency in order to achieve the target.

Medium-Term Management Plan CS2020: Initiatives in the Second Year (1)

(1) Creation of new business models

- Meinan Kyodo Energy Co., Ltd. (Chita, Aichi Prefecture) started operations
- Launch of projects related to the IoT and biomass fuel business

(2) Evolution of existing businesses

- Power business: Start of expansion into power transmission area and overseas markets
- Establishment of base to strengthen sales structure for uninterruptible power supplies (UPS)

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Next, I will explain our general strategy initiatives in the second year of the Medium-Term Management Plan.

The first is the “creation of new business models”.
For example, Meinan Kyodo Energy Co., Ltd., established in Chita, Aichi Prefecture for the purpose of supplying steam and electricity, started operations in February this year as planned.
We have now also launched projects related to the IoT and biomass fuel business.
We will actively allocate management resources to growing areas to continue to promote the “diversification of business areas”.
The second general strategy initiative is the “evolution of existing businesses”.
In the Power Plant business, we started to expand into the power transmission field and overseas markets in addition to our existing power generation operations.
In the Industrial Machinery business, we plan to establish a service base in Higashihiroshima in June this year to strengthen our sales structure for uninterruptible power supplies (UPS), which is one of our existing products, as we anticipate strong demand especially among data centers.
We will continue to adapt flexibly to our business environment in the future and translate this into expansion of earnings.

Medium-Term Management Plan CS2020: Initiatives in the Second Year (2)

(3) Acceleration of Group management and global strategies

- Establishment of Subsidiary and Affiliate Business Strategy Division
- Examination of establishment of new bases in Europe and Asia

(4) Development of human resources and enhancement of workplace environment

- Focus on rank-based training programs and overseas training programs
- Enhancement of workplace environment

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The third is the "acceleration of Group management and global strategies".
We established a Subsidiary and Affiliate Business Strategy Division in April last year and strengthened the oversight and support structure for subsidiaries and affiliates in Japan and overseas.
In the current fiscal period, we are examining ways to expand earnings including the establishment of new bases in Europe and Asia.
We will continue to fully utilize the characteristics and strengths of each Group company, aiming to generate synergy and improve Group earning capacity.

The fourth is the "development of human resources and enhancement of the workplace environment". To develop human resources that can adapt to transformation and evolution and can work both in Japan and overseas, we will put effort into our rank-based training programs and overseas training programs. We will also work to create appealing workplace environments that foster enthusiasm among employees.

Topics

Negotiations about Lithium Ion Battery-Related Equipment

Trend of net sales

(In billion yen)

	Net sales
2016/3	2.2
2017/3	8.1
2018/3	8.9
2019/3 Forecast	20.0

Main items handled

Manufacturing equipment for the components of lithium ion batteries such as separators and positive and negative electrode materials

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I would now like to talk about some of our business topics.

I would like to update you on sales of lithium ion battery-related equipment to China, which I know is of interest to you all.
Since launching initiatives in 2015, we have expanded our operations, mainly focusing on manufacturing equipment for the components of lithium ion batteries such as separators and positive and negative electrode materials.

As shown here, net sales have remained strong, reaching:
2.2 billion yen in 2016;
8.1 billion yen in 2017; and
8.9 billion yen in 2018.
We forecast sales of 20 billion yen in 2019.

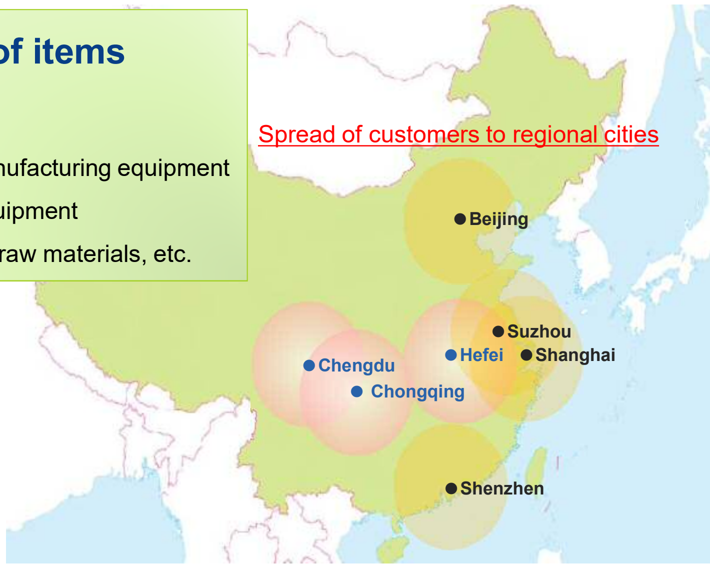
Topics
Further Development of Electric Vehicle Industry in China (Future Expansion)

Wider range of items handled

Battery pack manufacturing equipment

EV assembly equipment

Various types of raw materials, etc.



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Next, I will explain our efforts to further develop the electric vehicle industry in China.
We are now handling a wider range of items, including battery pack manufacturing equipment, EV assembly equipment and various types of raw materials in addition to the manufacturing equipment for separators and positive and negative electrode materials mentioned earlier.
According to some reports there is already overcapacity in China's electric vehicle industry, but there has been no decrease in the frequency of the negotiations we have with Chinese customers and our customers are also spreading to regional cities such as Hefei, Chongqing and Chengdu in addition to Beijing, Shanghai, Suzhou and Shenzhen.

We will allocate further human resources to this area and continue to actively develop the electric vehicle industry in China to realize expansion in earnings.

Seika Corporation's Initiatives (ESG)

ESG

Expansion of eco-friendly products
Environment

Orders received for eco-friendly products in the fiscal year ended March 31, 2018	Number of orders received	Amount of orders received (In billion yen)
Energy-saving, resource-saving, high efficiency products	10,584	68.54
Pollution-preventing products	1,071	6.41
Recycled/Reused products	542	1.48
Total	**12,197**	**76.44**

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Next, I will explain our ESG initiatives.
We are committed to making every effort to improve and protect the global environment and aim to contribute to the realization of a sustainable society.
As part of this, we obtained ISO14001 certification in 2005 and are working to expand sales of eco-friendly products.

We handle a wide range of eco-friendly products, for example, exhaust gas treatment facilities for boilers and incinerators, and organic solvent recovery equipment for chemicals and semiconductor plants.
Orders received for eco-friendly products in the fiscal year ended March 31, 2018 amounted to around 76 billion yen.
We will continue working to protect the global environment and contribute to society through our corporate activities.

We are also working on workstyle reform as part of our social responsibility efforts.

We have adopted "promotion of the career advancement of women," "promotion of employee health" and "development of human resources" as themes.

This includes:
・the hiring of more women on the management career track;
・the adoption of the Premium Friday system; and
・the payment of cancer screening costs as part of medical checkups.

Finally, I would like to explain the governance aspect of our ESG program.

We disclose our initiatives in relation to all the headings of the Corporate Governance Code on our website.
Last fiscal year, we conducted an evaluation of the effectiveness of the Board of Directors and also established the President and Directors Election Review Committee comprised of Outside Directors and Outside Auditors under the supervision of the Board of Directors as a voluntary mechanism.
We also focused on providing information in English through the partial translation into English of our convocation notice and the preparation of a factbook.

In the interests of the Group's sustainable growth and improvement of its corporate value over the medium and long terms, we will continue seeking to enhance corporate governance and pursuing a sound and highly transparent management structure.

Seika Corporation’s Initiatives (Shareholder Returns)

	Interim	Year-end	Total
2017/3	0 yen	11 yen	11 yen
2018/3	*5 yen	30 yen	–
2019/3 Forecast	25 yen	30 yen	**55 yen**

Note) The Company implemented a consolidation of shares at a ratio of one (1) share for every five (5) shares of its common stock with the effective date of October 1, 2017. The interim dividend for the fiscal year ended March 31, 2018(*) and earlier results are results before the consolidation of shares.

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Finally, I would like to talk about shareholder returns.

We consider the return of profits to shareholders as a key issue for management and our policy is to pay a stable dividend.
We aim for a consolidated dividend payout ratio of 35%, while at the same time strengthening our management base and meeting demand for funds for the development of new businesses, by conducting business efficiently both from an operational and a financial perspective.

As you can see, in our dividend forecast for the fiscal year ending March 31, 2019, we forecast an annual dividend of 55 yen, comprising an interim dividend of 25 yen and a year-end dividend of 30 yen.

We will actively focus on shareholder returns based on a comprehensive consideration of factors such as our dividend policy and our full-year business performance.

That concludes the financial results briefing for the fiscal year ended March 31, 2018.

Thank you for your attention.