

# Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2019

November 21, 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.

I am Akihiko Sakurai, President of Seika Corporation.

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.

I will now move on to the financial results presentation.

# Contents

1. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019
2. Summary of Business by Segment
3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019
4. Medium-Term Management Plan
5. Topics
6. Shareholder Returns and Dividend Payout Ratio

## ★ Reference Materials ★



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Today, I would like give a slide presentation of the matters shown here:

- Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019;
- Summary of Business by Segment;
- Consolidated Forecast for the Fiscal Year Ending March 31, 2019;
- Medium-Term Management Plan;
- Topics; and
- Shareholder Returns and the Dividend Payout Ratio.

Please refer to the reference material which summarizes information requested by investors such as performance trend graphs.

## 1. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019



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I will begin by presenting a summary of our consolidated financial results for the second quarter.

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (1)			
	(In million yen)		
	2018/3 2Q	2019/3 2Q	Change (%)
Amount of orders received	66,321	80,728	+21.7%
Net sales	65,858	97,676	+48.3%
Operating income	1,144	860	-24.9%
Ordinary income	1,284	992	-22.8%
Profit attributable to owners of parent	770	837	+8.6%
Net income per share	59.46 yen	66.21 yen	+11.4%
Net assets	29,329	29,549	+0.8%
Total assets	120,212	83,878	-30.1%
Shareholders' equity ratio	23.9%	34.5%	+10.6 pt



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As you can see, the Group posted gains in sales and income, with amount of orders received of 80.7 billion yen; net sales of 97.6 billion yen; operating income of 860 million yen; and ordinary income of 992 million yen.

Meanwhile, profit attributable to owners of parent was 837 million yen , increasing from the same period a year earlier.

This result reflects the fact that we recorded extraordinary income such as a gain on sales of investment securities and also that tax expense in the current quarter decreased because we recorded for tax purposes losses incurred at the time of the transfer of shares of NS Tech and debt waiver in the previous year.

## 2. Summary of Business by Segment





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Next, I will give a summary of business by segment.



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018 (Net sales by segment and segment income results)				
(In million yen)				
	Net sales		Income	
	2019/3 2Q Result	YoY change (%)	2019/3 2Q Result	YoY change (%)
Power Plant	30,109	+32.3%	823	-8.2%
Chemicals and Energy Plant	40,799	+188.3%	473	+24.7%
Industrial Machinery	20,891	-7.5%	530	-34.6%
Advanced Materials and Measuring Instruments	552	-50.8%	-230	-5.4%
Global Business	5,324	+1.3%	106	+59.6%
Total	97,676	+48.3%	1,703	-10.9%



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To sum up the second quarter, I think the Power Plant and Chemicals and Energy Plant businesses performed solidly and successfully maintained sales and income but the Advanced Materials and Measuring Instruments business performed sluggishly.

The Industrial Machinery business is expected to be able to redeem itself as most of its projects will be in the second half of the fiscal year.

I will give further details for each segment later in this presentation.

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018 (Amount of orders received and order backlog results by segment)				
(In million yen)				
	Amount of orders received		Order backlog	
	2019/3 2Q Result	YoY change (%)	2019/3 2Q Result	YoY change (%)
Power Plant	19,871	-8.6%	27,149	-31.0%
Chemicals and Energy Plant	32,598	+195.9%	58,135	+3.6%
Industrial Machinery	22,393	-15.4%	60,759	-36.0%
Advanced Materials and Measuring Instruments	383	-76.0%	1,217	-5.2%
Global Business	5,481	-0.4%	2,614	-6.6%
Total	80,728	+21.7%	149,877	-22.9%
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This slide summarizes the amount of orders received and order backlog of each segment.

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

### Power Plant

#### Business Activities

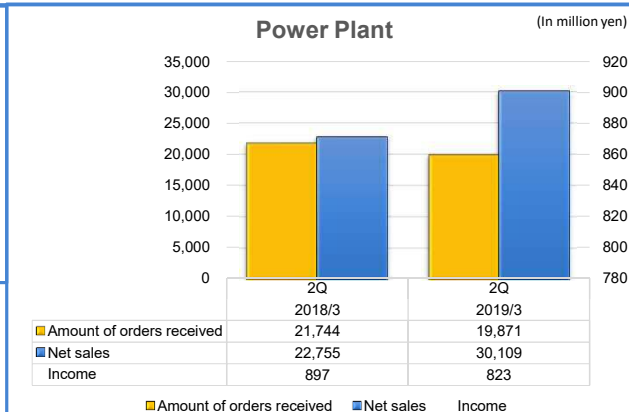
Sale of power generation equipment such as boilers and gas turbines and equipment for environmental conservation to power companies and joint thermal power plants

Sale of products such as security equipment and fire extinguishing equipment to nuclear power plants

#### Summary of the Second Quarter of the Fiscal Year Ending March 31, 2019

Net sales increased

- Increased sales of products such as large components for power generation equipment to power companies



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Please turn to page 8.

I will now explain the second-quarter results for each segment.

Firstly, the net sales of the Power Plant business, which is our core business, were 30.109 billion yen, reflecting increased sales of products such as large components for power generation equipment to power companies

However, segment income was held to 823 million yen because there were many large projects and not many mid-sized and small projects with comparatively high profit margins.



## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

### Chemicals and Energy Plant

#### Business Activities

Sale of power generation equipment and process manufacturing equipment to chemical companies, oil companies, paper companies, steel companies and rail companies

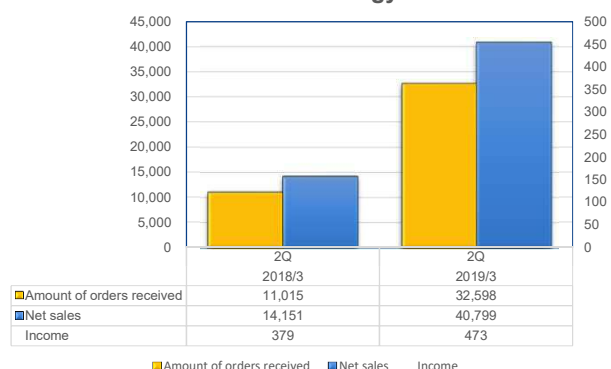
#### Summary of the Second Quarter of the Fiscal Year Ending March 31, 2019

Net sales increased sharply

- Completed large deliveries of power generation equipment worth around 26,000 million yen to oil companies

#### Chemicals and Energy Plant

(In million yen)



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Turning next to the Chemicals and Energy Plant business, net sales amounted to 40.799 billion yen, reflecting large deliveries of power generation equipment worth around 26 billion yen to oil companies. Segment income also rose to 473 million yen.

The amount of orders received increased by around 21.5 billion yen year on year. This was due to orders received for power generation equipment worth around 16 billion yen for chemical companies.

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

### Industrial Machinery

#### Business Activities

Sale of equipment and instruments and provision of maintenance services to customers in a wide range of industries including pharmaceuticals, food and plant engineering

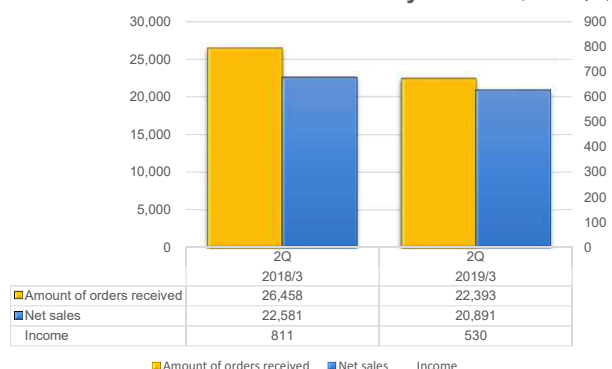
#### Summary of the Second Quarter of the Fiscal Year Ending March 31, 2019

Net sales decreased

- Subsidiary NIPPON DAIYA VALVE performed well
- Most deliveries of equipment related to lithium-ion batteries will be made in the second half of the fiscal year

#### Industrial Machinery

(In million yen)



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Moving onto the Industrial Machinery business.

Although NIPPON DAIYA VALVE, a subsidiary in this segment, performed well, deliveries of equipment related to lithium-ion batteries were down year on year as most will take place in the second half of the year. Consequently, net sales amounted to just 20.891 billion yen. Similarly, net income was 530 million yen.

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

### Advanced Materials and Measuring Instruments

#### Business Activities

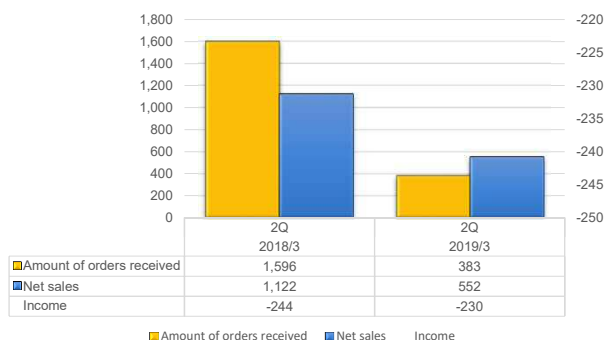
Sale of products related to the manufacturing of printed circuit boards for electronic equipment and handling of a wide range of other products including measuring instruments incorporating cutting-edge technologies and other measuring devices for environmental conservation used in industrial machinery, and water-treatment-related

#### Summary of the Second Quarter of the Fiscal Year Ending March 31, 2019

Net sales decreased

- Sales of printed circuit board products to the electronic equipment industry decreased
- Subsidiary Seika Digital Image turned in a lackluster performance
- Transfer of shares of subsidiary NS Tech and write-off of debt contributed to decline

#### Advanced Materials and Measuring Instruments (In million yen)



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This slide shows the results of the Advanced Materials and Measuring Instruments business.

Net sales came to 552 million yen because sales of printed circuit board products for household appliances fell as a result of decline in production of white goods in Japan.

Seika Digital Image, a subsidiary which handles digital broadcasting equipment, turned in a lackluster performance. Consequently, the segment posted a loss of 230 million yen.

We are implementing a strategy of selection and concentration of management resources in this business, and aim to turn the segment around next fiscal year.

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

### Global Business

#### Business Activities

(Europe) Sale of industrial robots to in-vehicle device manufacturers, sale and rental of water pumps

(North America) Sale of electronic board mounting equipment to Japanese automotive manufacturers

(Asia) Sale of machinery and equipment to the textiles and chemicals industries and other general industries

#### Summary of the Second Quarter of the Fiscal Year Ending March 31, 2019

Net sales grew

• Our subsidiaries in Europe and the US performed strongly:

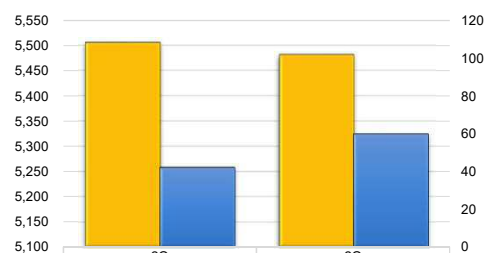
Tsurumi (Europe) GmbH (Germany)

Seika Sangyo GmbH (Germany)

Seika Machinery Inc. (US)

#### Global Business

(In million yen)



Amount of orders received

Net sales

Income



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Finally, I would like to explain the results of the Global Business.

Thanks to strong performances by three companies, namely Tsurumi (Europe) GmbH and Seika Sangyo GmbH, our subsidiaries in Germany, and Seika Machinery Inc., our subsidiary in the United States, net sales amounted to 5.324 billion yen, and segment income also increased to 106 million yen.

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019





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From page 13, I will explain our consolidated forecast for the fiscal year ending March 31, 2019.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019				
(In billion yen)				
	2018/3 Result	2019/3 2Q Result	2019/3 Forecast	Change (%) (YoY)
Net sales	165.58	97.67	<b>175.0</b>	+5.7%
Operating income	2.59	0.86	<b>3.1</b>	+19.3%
Ordinary income	2.87	0.99	<b>3.4</b>	+18.1%
Profit attributable to owners of parent	1.65	0.83	<b>2.2</b>	+32.9%



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The Japanese economy remains on a modest recovery path. However, the impact of problems in the world economy such as trade tensions between the US and China are a cause for concern, and the outlook is uncertain,

In this business environment, we expect to post gains in net sales and income, 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 (Net sales by segment and segment income forecasts)						
(In billion yen)						
	Net sales			Income		
	2019/3 2Q Result	2019/3 Forecast	Change (%) Forecast (YoY)	2019/3 2Q Result	2019/3 Forecast	Change (%) Forecast (YoY)
Power Plant	30.10	48.0	-3.4%	0.82	1.4	-29.1%
Chemicals and Energy Plant	40.79	55.0	+120.9%	0.47	1.0	+44.7%
Industrial Machinery	20.89	58.0	-23.8%	0.53	1.8	-1.4%
Advanced Materials and Measuring Instruments	0.52	2.0	-15.2%	-0.23	-0.13	-55.1%
Global Business	5.32	12.0	-3.7%	0.10	0.3	2018/3 actual segment loss 0.09 billion yen
Total	97.67	175.0	+5.7%	1.70	4.37	+5.5%



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Page 15 summarizes our net sales and income forecasts by segment.

The Chemicals and Energy Plant business is expected to perform better than the previous year, with income of 1.0 billion yen forecast.

The Industrial Machinery business is expected to perform solidly with most deliveries taking place in the second half of the fiscal year.

In the other businesses, similar performances to those in the first two quarter are expected, with the Advanced Materials and Measuring Instruments business expected to report a smaller loss.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Amount of orders received and order backlog forecasts by segment)						
(In billion yen)						
	Amount of orders received			Order backlog		
	2019/3 2Q Result	2019/3 Forecast	Change (%) Forecast (YoY)	2019/3 2Q Result	2019/3 Forecast	Change (%) Forecast (YoY)
Power Plant	19.87	<b>58.0</b>	+24.0%	27.14	<b>47.3</b>	+26.5%
Chemicals and Energy Plant	32.59	<b>55.0</b>	+71.8%	58.13	<b>66.3</b>	+0.1%
Industrial Machinery	22.39	<b>53.0</b>	+19.4%	60.76	<b>54.2</b>	-8.5%
Advanced Materials and Measuring Instruments	0.38	<b>2.0</b>	-31.8%	1.21	<b>1.3</b>	-6.2%
Global Business	5.48	<b>12.0</b>	-3.0%	2.61	<b>2.4</b>	-3.0%
Total	80.72	<b>180.0</b>	+30.0%	149.87	<b>171.8</b>	+2.9%



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Next, page 16 summarizes forecasts of the amount of orders received and order backlog by segment.

We use the amount of orders received a key indicator which predicts progress towards the realization of stable management.


As you can see, we forecast that the amount of orders received in the fiscal year ending March 31, 2019 will be 180 billion yen, whilst the order backlog is estimated at 171.8 billion yen.





Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Power Plant)				
(In billion yen)				
Power Plant	2019/3 2Q Result	2019/3 2H Forecast	2019/3 Forecast	Change (%) Forecast (YoY)
Net sales	30.10	17.9	48.0	-3.4%
Income	0.82	0.58	1.4	-29.1%
Amount of orders received	19.87	38.13	58.0	+24.0%
Order backlog	27.14	—	47.3	+26.5%

Second Half Forecast

- Crime prevention/disaster prevention equipment for nuclear power plants
- Various types of construction work for power companies



Power Plant







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I will now explain our second-half and full-year forecasts for each segment.

Firstly, in the Power Plants business, we expect to continue building on our strong first half performance in the second half and to record sales for various types of construction work, including crime prevention and disaster prevention equipment for nuclear power plants. Accordingly, on a full-year basis, we forecast net sales of 48 billion yen and segment income of 1.4 billion yen.

We also expect to receive orders for large projects from power companies and forecast that the amount of orders received will be 58 billion yen whilst the order backlog will amount to 47.3 billion yen. Both are expected to increase year on year.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Chemicals and Energy Plant)				
(In billion yen)				
Chemicals and Energy Plant	2019/3 2Q Result	2019/3 2H Forecast	2019/3 Forecast	Change (%) Forecast (YoY)
Net sales	40.79	14.21	55.0	+120.9%
Income	0.47	0.53	1.0	+44.7%
Amount of orders received	32.59	22.41	55.0	+71.8%
Order backlog	58.13	—	66.3	±0%
<b>Second Half Forecast</b> <ul style="list-style-type: none"><li>● Power equipment maintenance work and other work for oil companies</li><li>● Contribution to earnings of subsidiary Shikishima Kiki</li></ul>				
				
Shikishima Kiki Engines for marine and land use			Chemicals Plant	
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In the Chemicals and Energy Plant business, we expect that power equipment maintenance work and other work for oil companies will remain steady as in the previous year.


Bolstered by the performance of Shikishima Kiki, which sells engines for marine and land use in Hokkaido, both sales and income are predicted to increase, and we forecast net sales of 55 billion yen and segment income of 1 billion yen.

We expect to receive orders for projects for biomass fuel fired power generation equipment and MOX fuel sintering furnaces, and we forecast that, in the fiscal year ending March 31, 2019, the amount of orders received will rise sharply year on year, to 55 billion yen, and the order backlog will amount to 66.3 billion yen.


Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Industrial Machinery)				
(In billion yen)				
Industrial Machinery	2019/3 2Q Result	2019/3 2H Forecast	2019/3 Forecast	Change (%) Forecast (YoY)
Net sales	20.89	37.11	58.0	-23.8%
Income	0.53	1.27	1.8	-1.4%
Amount of orders received	22.39	30.61	53.0	+19.4%
Order backlog	60.76	—	54.2	-8.5%

### Second Half Forecast



- Most projects for lithium-ion battery-related equipment expected in second half
- Subsidiary NIPPON DAIYA VALVE also expected to perform strongly



NIPPON DAIYA VALVE    Diaphragm valve, etc.



Lithium-ion battery-related equipment







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As explained earlier, the Industrial Machinery business will have most of its projects in the second half of the fiscal year, and our segment forecasts for the fiscal year ending March 31, 2019 are, therefore, net sales of 58 billion yen and segment income of 1.8 billion yen.

We forecast that, on a full-year basis, the amount of orders received will be increased year on year, to 53 billion yen, reflecting large deals for lithium-ion batteries.

We estimate that the order backlog will be 54.2 billion yen.






Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Advanced Materials and Measuring Instruments)					(In billion yen)
Advanced Materials and Measuring Instruments	2019/3 2Q Result	2019/3 2H Forecast	2019/3 Forecast	Change (%) Forecast (YoY)	
Net sales	0.52	1.48	2.0	-15.2%	
Income	-0.23	0.10	-0.13	-55.2%	
Amount of orders received	0.38	1.62	2.0	-31.8%	
Order backlog	1.21	—	1.3	-6.2%	
<b>Second Half Forecast</b> <ul style="list-style-type: none"><li>● Sales of printed circuit board products will decrease</li><li>● Subsidiary Seika Digital Image is expected to turn around its performance</li><li>● We will implement structural reforms for a recovery in performance, including implementing a selection and concentration strategy in the allocation of management resources</li></ul>					
		 Printed circuit board			
		 Laser gas monitor			
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We will aim to move the Advanced Materials and Measuring Instruments business into profitability on a fiscal year basis but, as explained earlier, sales of printed circuit board products are expected to fall from the previous year.

However, subsidiary Seika Digital Image expects to turn around its performance in the second half, and overall we forecast full-year net sales of 2 billion yen and a segment loss of 0.13 billion yen.

We plan to implement structural reforms for a recovery in performance including implementing a selection and concentration strategy in the allocation of management resources.

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (Global Business)				
(In billion yen)				
Global Business	2019/3 2Q Result	2019/3 2H Forecast	2019/3 Forecast	Change (%) Forecast (YoY)
Net sales	5.32	6.68	12.0	-3.7%
Income	0.10	0.20	0.3	2018/3 actual segment loss 90 million yen
Amount of orders received	5.48	6.52	12.0	-3.0%
Order backlog	2.61	—	2.4	-2.2%
<b>Second Half Forecast</b>				
● Subsidiaries in Europe and the US will continue to perform strongly				
<div>  <p><b>Seika Machinery, Inc.</b> Board mounting-related equipment for the automotive industry</p> </div> <div>  <p><b>Seika Sangyo GmbH</b> Industrial machinery, electronics equipment and information technology systems</p> </div> <div>  <p><b>Seika Sangyo (Thailand) Co., Ltd.</b> Industrial machinery for the automotive, chemicals and textiles industries</p> </div>				
 				
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Turning finally to the Global business, thanks in part to continued strong performances in the second half by our subsidiaries in Europe and the US, we forecast overall net sales of 12 billion yen and segment income of 0.3 billion yen and predict a better performance than a year ago.

## 4. Medium-Term Management Plan



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I would now like to talk about our Medium-Term Management Plan.

# Medium-Term Management Plan CS2020

April 1, 2017 to March 31, 2020

**Long-term management vision “Envisioned Seika Group 10 years from now”**  
 2017 - 2026

**Corporate philosophy**  
To Contribute to Society Through the Expansion of Business. This is our credo.

**Long-term management vision**  
“Envisioned Seika Group 10 years from now”  
A global corporate group that can adapt to the changing business environment and has a robust managerial base. The employees of group companies have the pioneering spirit, think that their jobs are worthwhile, work vigorously, and feel their own growth.

**Medium-term management plan “CS2020”**  
The basic policy is “reform and evolution.”  
The company will endeavor to reform its business model and evolve conventional businesses.

**経営理念**  
社業の発展を通じ社会に貢献する。これを我社の信条とする

**長期経営ビジョン**  
「10年後の西華産業グループ像」

**中期経営計画**  
「CS2020」

事業の発展を通じ社会に貢献する。これを我社の信条とする

事業環境の変化に適切し、強固な経営基盤を有したグローバルな企業グループとなっている。また、グループ社員は開拓精神に燃え、各々の会社で働き甲斐を感じ、活力に溢れて一人一人が成長を実感している。

基本方針は「変革と進化」とし、ビジネスモデルの変革と従来ビジネスの進化に挑戦していく。

<Long-term managerial policy>

1. To reform and evolve business models, and enhance the earning capacity of the Seika Group further.
2. To find and develop personnel who can respond to the change of the times and create new businesses and those who can flourish inside and outside Japan, and use managerial resources in an optimal manner.
3. To develop a working environment that is worthwhile and attractive to employees, and improve productivity.

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In April last year, we formulated a long-term management vision for the year 2026 “Envisioned Seika Group 10 years from now” and a new three-year medium-term management plan “CS2020,” as shown here.

# 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

Business scale expands and growth is accelerated  
事業規模が拡大し、成長が加速

新たな取り組みが収益に寄与し始める  
New activities start contribute to revenue

事業規模拡大への基礎固め  
To develop a foundation for expanding business scale

第1ステップ CS2020 1st step    第2ステップ 2nd step    第3ステップ 3rd step

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This slide shows the Medium-Term Management Plan CS2020, which is positioned as the first step in the long-term management vision.

Believing that “reform” of business models and “evolution” of conventional businesses are essential for “diversification of business domains” of the Seika Group, we are implementing four general strategies.



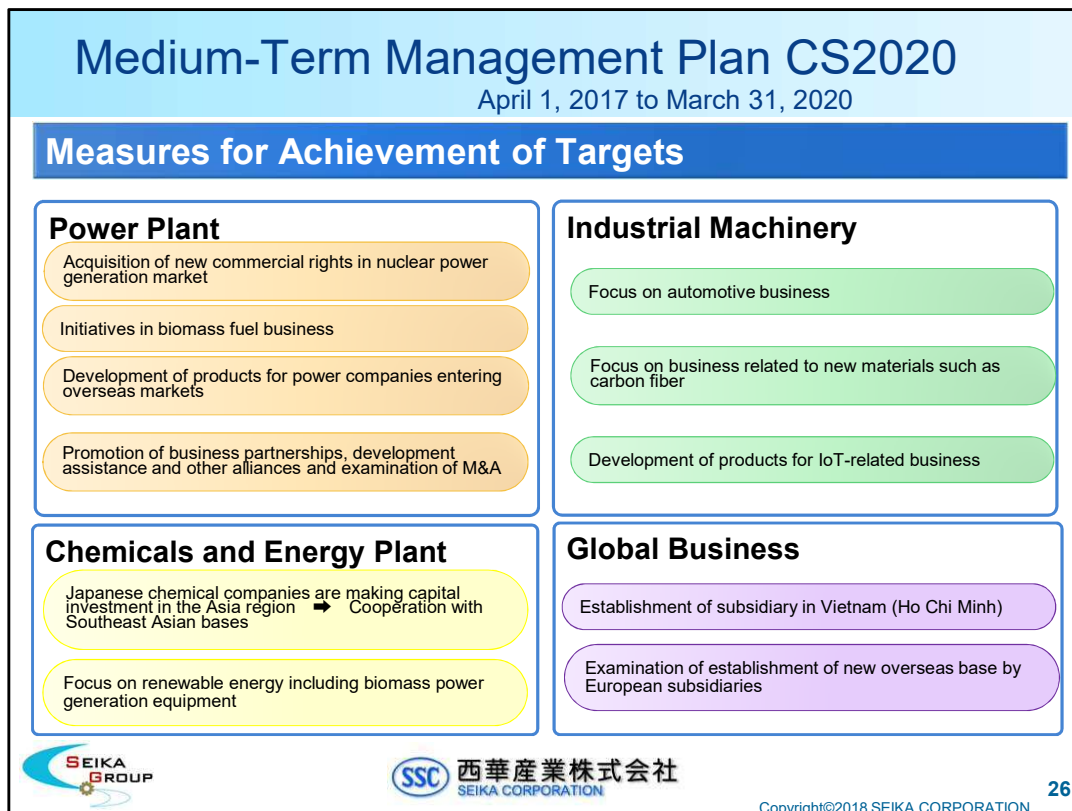
Medium-Term Management Plan CS2020			
April 1, 2017 to March 31, 2020			
(In billion yen)			
Profit attributable to owners of parent	2018/3	2019/3	2020/3
Target	2.2	2.4	2.7
Result/Forecast	1.65	(1H Result) 0.83	
		(2H Estimate) 1.37	
Forecast for current fiscal year	—	2.2	
<p>2<sup>nd</sup> year: Aim to achieve the net profit target of 2.4 billion yen through painstaking operating activities</p> <p>Final year: Aim to achieve the net profit target of 2.7 billion yen through the steady implementation of various measures in each business</p>			
			
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In the first fiscal year of the medium-term management plan, we fell short of the plan, with a result of 1.65 billion yen against a target of 2.2 billion yen. This can largely be attributable to an extraordinary loss associated with Seika Shanghai.

The target for the current fiscal year, which is the second year of the medium-term management plan, is 2.4 billion yen. Since our current forecast is 2.2 billion yen, we have yet to reach the target, but I want us to reach the target through painstaking operating activities.

We will also steadily implement a range of measures in each business to achieve our 2.7 billion yen target in the final fiscal year.



I will now explain measures in each business for achievement of the 2.7 billion yen target in the final fiscal year of the plan.

Starting with the Power Plant Business, we are examining new initiatives, using solid segment earnings as a basis. More specifically, in the nuclear power generation market, which is already the focus of initiatives, we will put efforts into areas such as acquiring new commercial rights.

Meanwhile, we will promote initiatives in the biomass fuel business as well as the development of products for power companies entering overseas markets, and make the Power Plant Business further solid as an earnings base.

In addition, we will promote business partnerships with companies that can demonstrate synergies with the Group, development assistance and other alliances, and we will also examine M&A.

Moving onto the Chemicals and Energy Plant Business, since Japanese chemical companies are making aggressive capital investment, including the construction of new plants, mostly in the Asia region, we will cooperate with our bases in Thailand, Vietnam and other parts of Southeast Asia to conduct activities to win orders.

Meanwhile in the energy market, we will also continue to focus on renewable energy including biomass power generation equipment.

In the Industrial Machinery Business, we will focus on the automotive business, including deals involving lithium-ion battery related equipment, and on business related to new materials such as carbon fiber.

Fueled by factors such as shortage of engineers and workstyle reform, IoT-related business needs are strong and we intend to focus on the development of products with a sense of urgency.

In the Global Business, our European subsidiaries are examining the establishment of new overseas base and we aim to expand earnings alongside network expansion.

By steadily implementing the various measures described above, we aim to achieve the targets under the medium-term management plan.

## 5. Topics

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

## Topics (1) Establishment of Subsidiary in Vietnam

Trading name	Seika Sangyo (Vietnam) Co., Ltd.
Head office	Bitexco financial tower 34F Ho Chi Minh City, Vietnam
Core business	Sale of various types of machinery, electronic/communication equipment, instruments, tools, related materials and other products Installation work, engineering, after-sales services and other import and export and sales agency operations
Capital	64 billion Vietnam dong (around 300 million yen)
Start of operations	January 2019 (Plan)
Stockholder	Seika Corporation 100%



Bitexco financial tower

Promoting “acceleration of Group management and global strategies” under Medium-Term Management Plan CS2020



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First of all, I would like to talk about our establishment of a subsidiary in Ho Chi Minh City in Vietnam.

In Vietnam, there is a high level of capital investment in infrastructure, the environment and manufacturing, and industrialization through the attraction of foreign capital is underway.

In light of this, we decided to establish a subsidiary in Ho Chi Minh City in August this year and currently plan to start operations at the subsidiary from January next year.

We have already received many inquiries from Japanese companies planning to establish manufacturing bases in Vietnam and are noticing a good reaction.

We intend to vigorously support our Vietnamese subsidiary to ensure that it becomes a major source of earnings for the Seika Group as Vietnam continues to develop.

## Topics (2)

### European Subsidiary Tsurumi (Europe) GmbH (TEG)

Head office	Dusseldorf, Germany
Core business	Sale and rental of water pumps for construction work and equipment
Stockholders	Seika Corporation 95% Tsurumi Manufacturing 5%

#### Applications



Construction



Flood Protection



Aeration



Tunnel Construction



#### A wide range of pumps



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Secondly, I would like to introduce Tsurumi (Europe) GmbH, a European subsidiary which is driving our Global Business.

TEG is a joint venture with Tsurumi Manufacturing and is engaged in the sale and rental of water pumps throughout Europe.

Over the past few years, TEG has consistently increased sales through:

- the establishment of an inventory management system in Europe;
- expansion of its distributor network throughout Europe; and
- expansion of its sales territory outside of Europe, including Chile in South America,

and we continue to have high hopes of TEG in the future.

### Topics (3) Response to Natural Disasters

#### Support in response to torrential rain in July 2018

Donated 5 million yen through the Japanese Red Cross Society

Supported employees' volunteer activities in affected areas

#### Support in response to Hokkaido Eastern Iburi Earthquake in 2018

Helped Hokkaido Electric Power restart Tomato-Atsuma Power Plant

We will continue contributing to the reconstruction and development of local communities through our business



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Thirdly, I would like to talk about our response to the successive natural disasters that occurred during this first half.

The torrential rains in 2018 caused enormous damage, with rivers bursting their banks and landslides in many areas especially West Japan.

We have bases in areas affected by the disaster, including our Hiroshima Branch and Okayama Branch and also have strong ties with the local communities.

Therefore, to aid those affected by the disaster and to help rebuild the affected areas, we donated 5 million yen through the Japanese Red Cross Society.

We also provided support for employees' volunteer activities in affected areas.

Then, in the Hokkaido Eastern Iburi Earthquake, as you all know, the Tomato-Atsuma thermal power plant was affected by the earthquake, leading to a blackout.

In the wake of the earthquake, our Sapporo Branch cooperated with manufacturers in helping to restore the power plant. The onsite response by many cooperating companies led to the early restoration of power.

Cooperating companies including Seika Corporation have received a message of thanks from Hokkaido Electric Power for their help in restoring power.

We will continue contributing to the reconstruction and development of local communities through our business to the best of our ability.

## Topics (4) Negotiations about Lithium-Ion Battery-Related Equipment (1)

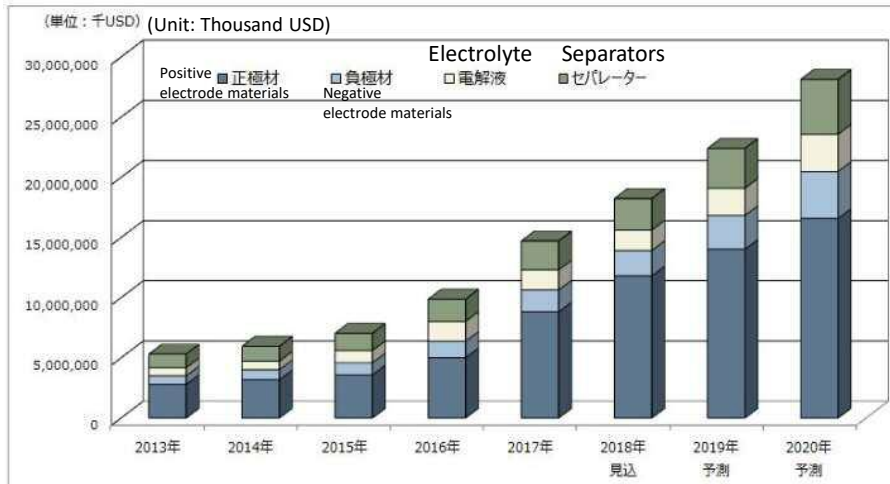
Chinese government's policy  
and NEV rules



Increased demand for automotive  
lithium-ion batteries

Global Lithium-ion Battery Materials Market Size and Forecast

Source: Yano Research Institute



SSC 西華産業株式会社  
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Finally, I would like to explain the situation with regard to the supply of lithium-ion battery-related equipment to China, which is of interest to you all.

China's National Policy is calling for the sales and production of 2 million EVs, plug-in hybrids and other new energy vehicles by 2020, and more than 7 million by 2025.

New energy vehicle (NEV) rules which will take effect from 2019 require automakers which produce more than 30,000 traditional-fuel vehicles annually to produce at least 10% new energy vehicles or buy credits from other companies.

We believe that the Chinese government's policy and the new rules will push towards an electric future for the car industry and demand for automotive lithium-ion batteries is certain to increase, and we continue to actively pursue this as our core business.

## Topics (4) Negotiations about Lithium-Ion Battery-Related Equipment (2)

### Performance Trend

	2015/3	2016/3	2017/3	2018/3
Amount of orders received	2.4	18.1	22.6	9.7
Net sales	–	2.2	8.1	8.9
Order backlog	2.4	18.3	32.8	33.6

(In billion yen)

### Result/Forecast for Current Fiscal Year

	1H Result	2H Forecast	2019/3 (Forecast)
Amount of orders received	5.1	7.1	12.2
Net sales	2.6	14.6	17.2
Order backlog	36.1	28.6	28.6

(In billion yen)



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In the current fiscal year, we forecast that, on a full-year basis, the amount of orders received will be 12.2 billion yen and net sales will be 17.2 billion yen because most deliveries will take place in the second half of the fiscal year. We forecast an order backlog at the end of the fiscal year of 28.6 billion yen.



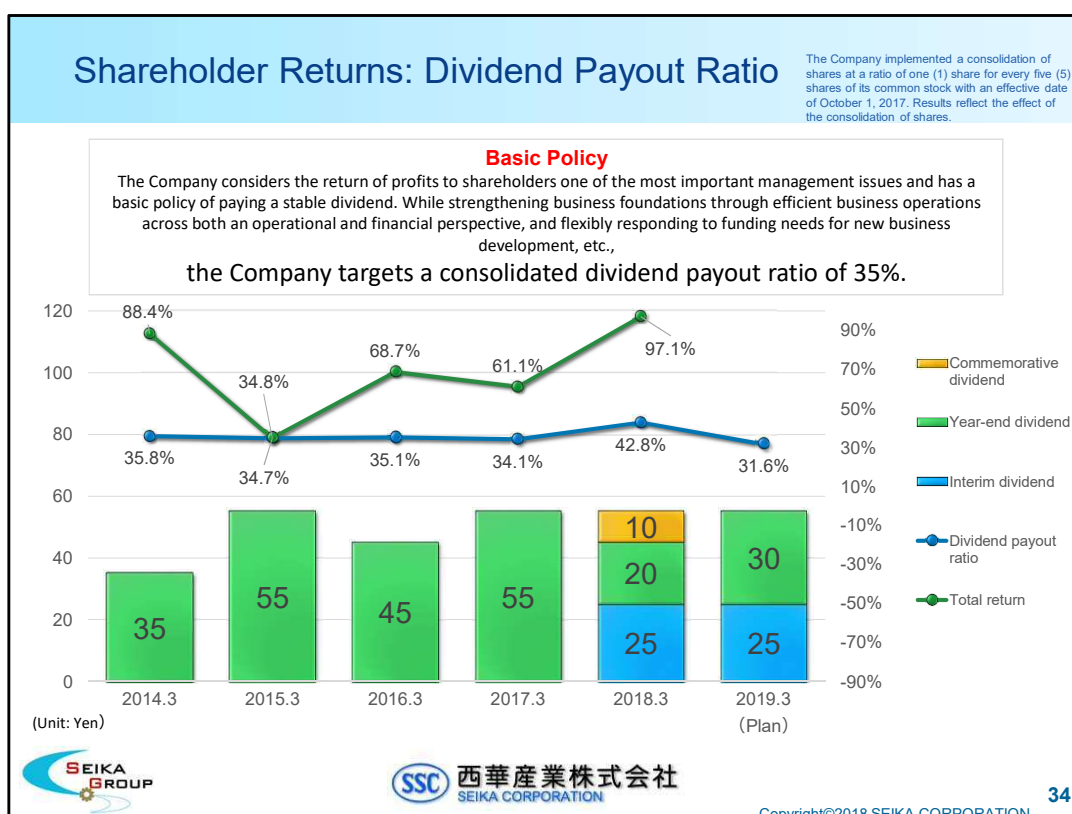
## 6. Shareholder Returns and Dividend Payout Ratio



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Finally, I will explain shareholder returns and the dividend payout ratio.



We consider the return of profits to shareholders one of the most important management issues and has a basic policy of paying a stable dividend. As shown here, we target a consolidated dividend payout ratio of 35%.

We forecast that, for the fiscal year ending March 31, 2019, we will pay 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.

## 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.

### IR Contact

**Strategical Planning Department, Corporate Planning Division,  
Seika Corporation**

**Tel: 03-5221-7117 Fax: 03-5221-7130**

**E-mail: [SMB002@jp.seika.com](mailto:SMB002@jp.seika.com)**



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We will endeavor to earn a reputation from our shareholders and other stakeholders as a corporate group that delivers everlasting value.

I look forward to your further guidance and encouragement for the Seika group as we continue moving forward.

That concludes the financial results briefing for the first half of the fiscal year ending March 31, 2019.

Thank you for your attention.

★Reference Materials★ Financial Results Briefing for the  
Second Quarter of the Fiscal Year Ending March 31, 2019



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## Reference Materials

1. Company Profile
2. History of Seika Corporation
3. Domestic Network
4. Overseas Network
5. Performance Trend
6. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019
7. Trend of Management Indicators
8. ESG Initiatives



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# 1. Company Profile

Trading name	Seika Corporation	 <p>Head office: Shin-Tokyo Bldg., Marunouchi</p>
Head office	Shin - Tokyo Bldg, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005	
Establishment	October 1, 1947	
Representative	Akihiko Sakurai, President	
Capital	6,728 million yen	
Number of employees	Non-consolidated: 314／Consolidated: 933 (As of September 2018)	
Core business	Plants, machinery and equipment, environmental protection equipment, sale, import and export of electronic information system equipment	
Offices	18 offices in Japan, including head office, Osaka branch, Fukuoka branch and Hiroshima branch 5 offices overseas including Taipei branch, Seoul branch and Singapore branch	
Affiliated companies and bases	10 affiliated companies in Japan and 16 affiliated companies overseas 34 bases in Japan and 21 bases overseas	

Head office: Shin-Tokyo Bldg., Marunouchi



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## 2. History of Seika Corporation (1)



October 1947 Established in Moji-shi (currently Moji-ku, Kitakyushu-shi) by company officials of the former Mitsubishi Corporation, which was dissolved before the establishment, with capital of 195,000 yen.

From 1948 to 1951 Established offices throughout Japan (Nagasaki, Fukuoka, Osaka, Hiroshima, Tokyo, Takamatsu)

October 1961 Listed shares on the First Section of the Tokyo Stock Exchange

January 1974 Established the subsidiary Seika Sangyo GmbH in Germany (Dusseldorf)

November 1983 Established Tsurumi (Europe) GmbH, a joint venture with Tsurumi Manufacturing Co., Ltd. in Germany

April 1994 Established the subsidiary Seika Machinery Inc., USA (Los Angeles)

July 2000 Opened the Seoul Branch in Korea (Seoul)

August 2001 Changed registered head office from Kokurakita-ku Kitakyushu to Chiyoda-ku, Tokyo

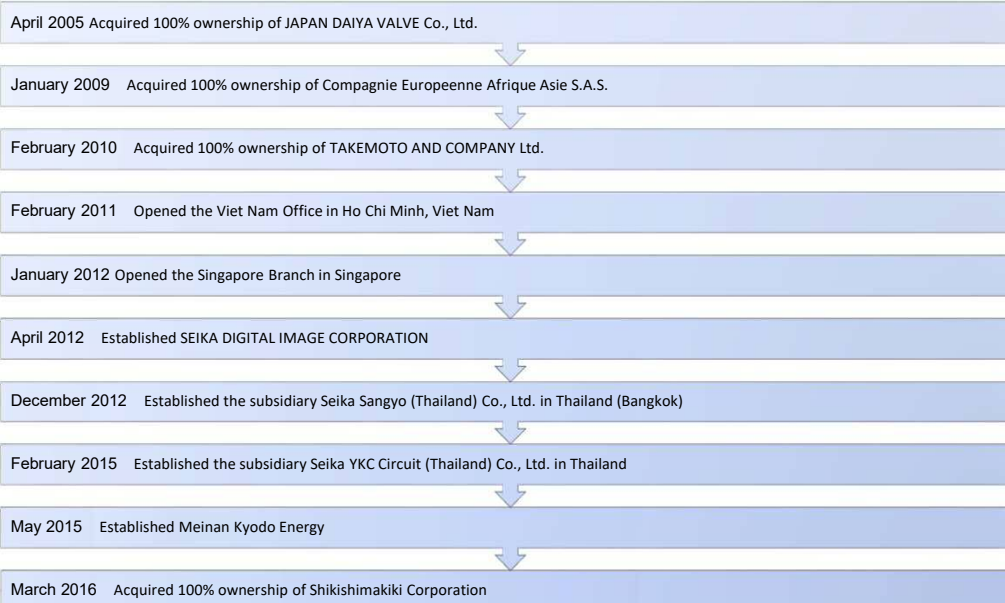
January 2004 Established the subsidiary Seika Shanghai Co., Ltd in China (Shanghai)



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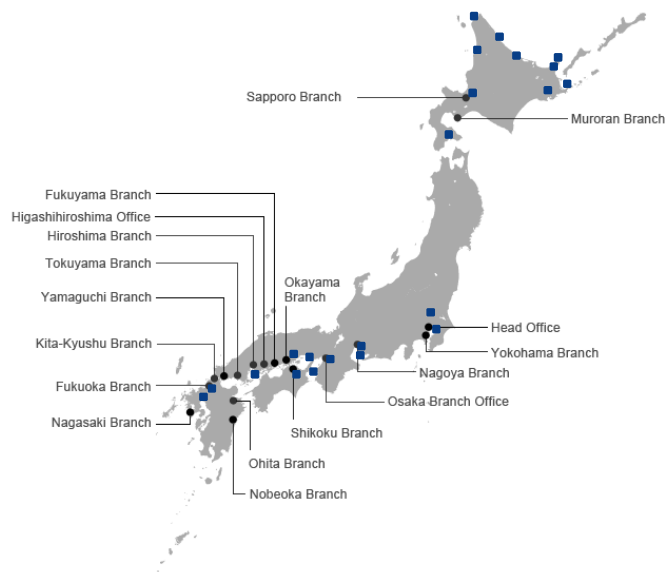
## 2. History of Seika Corporation (2)



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## 3.Domestic Network



### ● Seika Corporation

Tokyo Osaka Sapporo Muroran Yokohama  
Nagoya Shikoku Okayama Fukuyama Hiroshima  
Higashi-Hiroshima Tokuyama Yamaguchi  
Fukuoka Kita-Kyushu Oita Nobeoka Nagasaki

### ■ Nippon Daiya Valve Co., Ltd.

Tokyo Osaka Nagoya Okayama Kita-Kyushu

### ■ Takemoto Co., Ltd.

Kobe Takasago Mihara

### ■ Tozai Jitsugyo Co., Ltd. Tokyo

### ■ S-TEC Co., Ltd. Tokyo Osaka Tsukuba

### ■ TEN FEET WRIGHT Inc.

Tokyo Osaka Takamatsu Fukuoka

### ■ JAPAN EJECTOR ENGINEERING Co., Ltd.

Osaka Wakayama

### ■ Seika Digital Image Inc. Tokyo

### ■ MEINAN KYODO ENERGY Co., Ltd. Cita

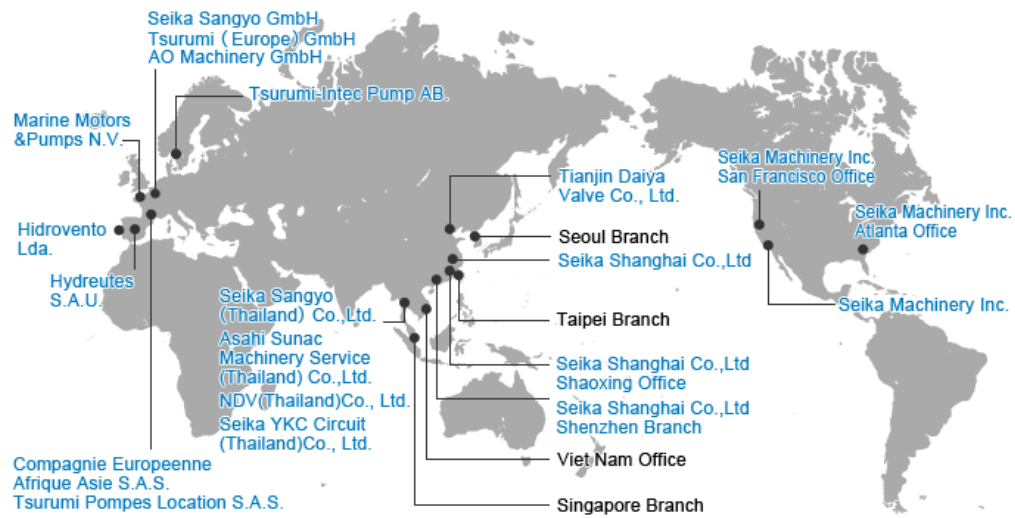
### ■ Shikishimakiki Corporation

Sapporo Haboro Hakodate Urakawa Doto Nemuro  
Shibetsu Rausu Yubetsu Wakkanai Esashi



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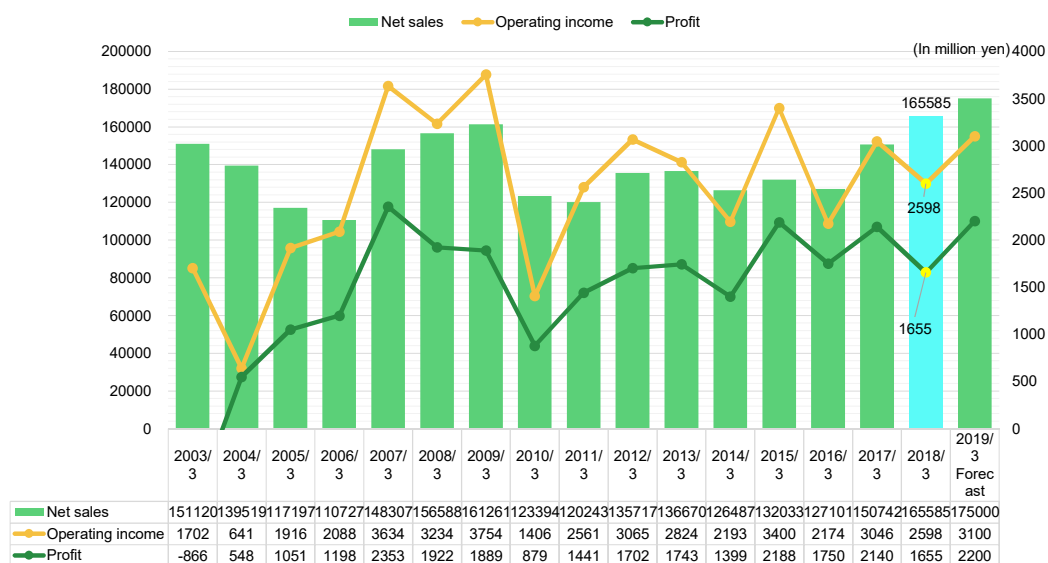
## 4. Overseas Network



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## 5. Performance Trend

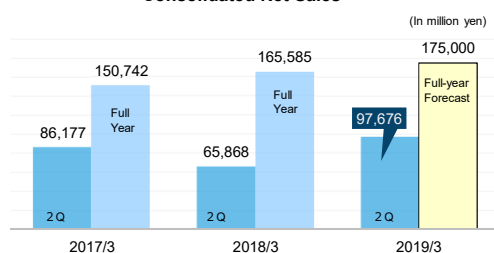
Consolidated Net Sales, Operating Income and Profit



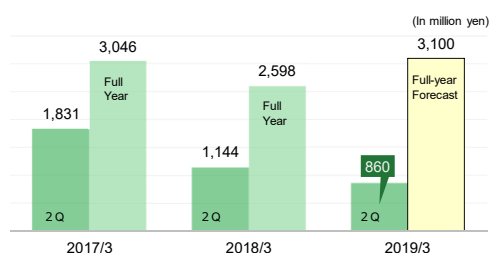
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## 6. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (1)

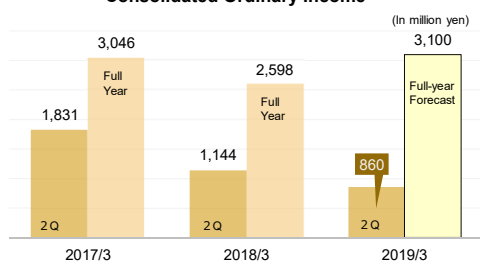
**Consolidated Net Sales**



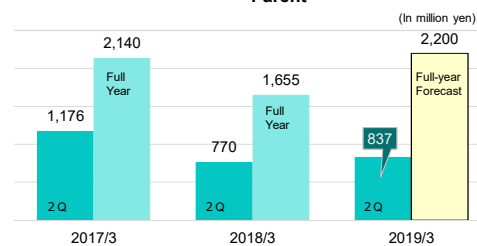
**Consolidated Operating Income**



**Consolidated Ordinary Income**



**Consolidated Profit Attributable to Owners of Parent**



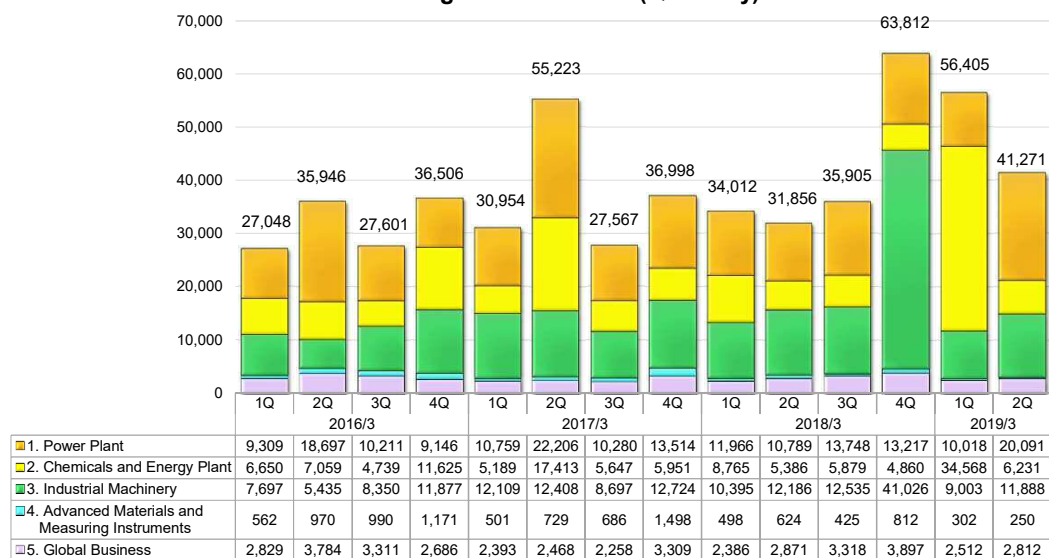
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## 6. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (2)

(Trend of Net Sales by Segment)

(In million yen)

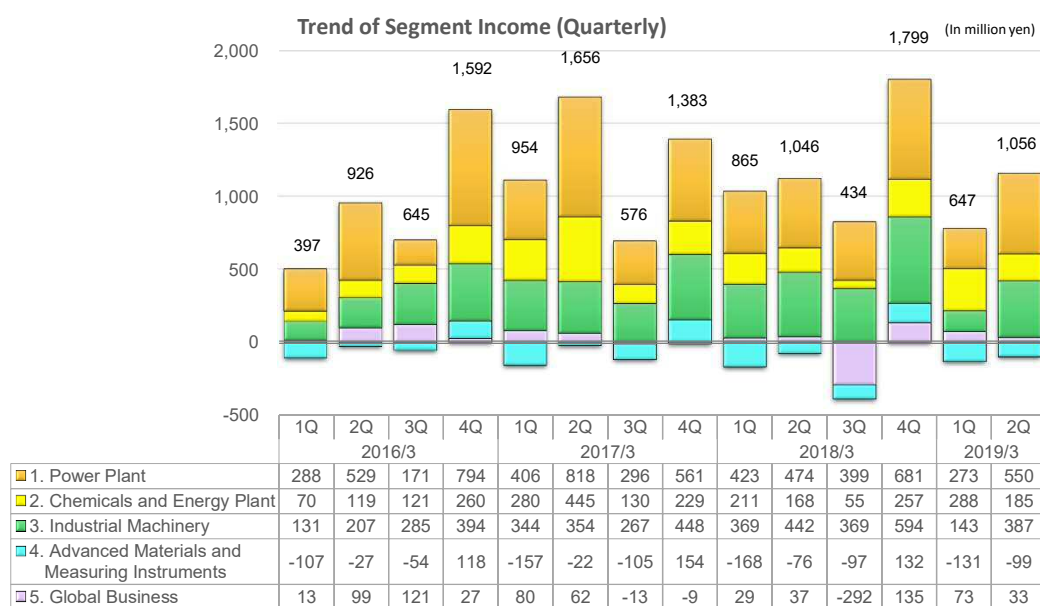
**Trend of Segment Net Sales (Quarterly)**



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## 6. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (3)

(Trend of Income by Segment)



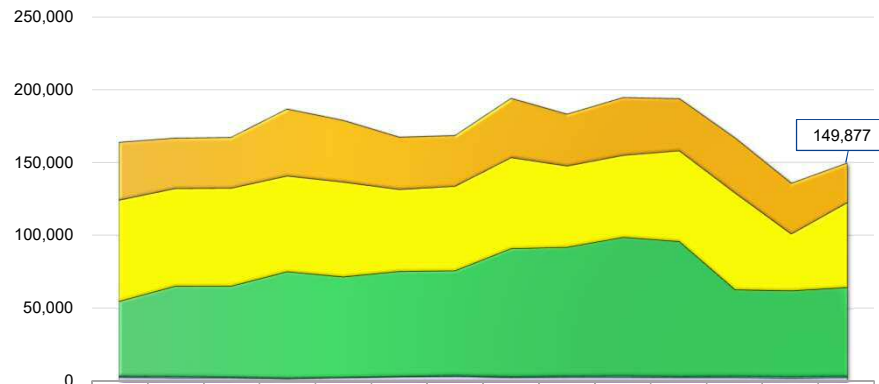
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## 6. Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (4)

(Trend of Amount of Orders Received by Segment)

(In million yen)

Trend of Amount of Orders Received –Consolidated Basis

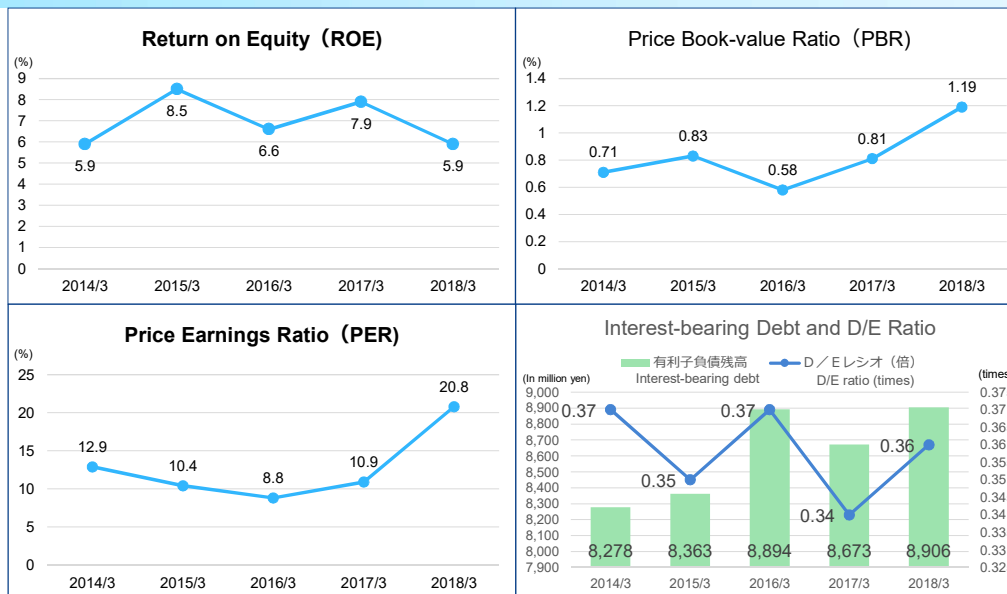


	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
	2016/3				2017/3				2018/3				2019/3	
1. Power Plant	39,306	34,445	34,743	45,440	42,109	35,673	34,431	40,349	35,052	39,339	35,402	37,387	34,682	27,149
2. Chemicals and Energy Plant	69,475	66,880	67,122	65,618	64,887	56,033	58,017	62,320	55,836	56,090	62,038	66,336	38,825	58,135
3. Industrial Machinery	51,287	61,933	62,242	73,045	69,028	72,129	71,695	87,923	88,235	94,895	92,500	59,257	59,159	60,759
4. Advanced Materials and Measuring Instruments	997	1,243	949	617	418	667	1,095	811	992	1,284	1,079	1,387	1,312	1,217
5. Global Business	2,827	2,323	2,264	1,804	2,497	2,895	3,281	2,552	2,873	2,800	2,635	2,456	2,055	2,614



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## 7. Trend of Management Indicators



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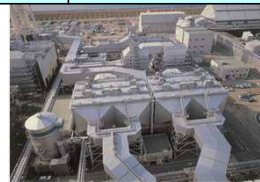


## 8. ESG Initiatives (1)



### Expansion of eco-friendly products Environment

Result for orders received for eco-friendly products in the second quarter of the fiscal year ending March 31, 2019	Number of orders received	Amount of orders received (In billion yen)
Energy-saving, resource-saving, high efficiency products	5,377	53.30
Pollution-preventing products	476	1.94
Recycled/Reused products	313	0.42
<b>Total</b>	<b>6,166</b>	<b>55.66</b>



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## 8. ESG Initiatives (2)



Social responsibility (workstyle reform)  
**S**ocial



### Promotion of the career advancement of women

Hiring of more women on the management career track, support for the career development of female employees, appointment of female managers



### Promotion of employee health

Adoption of Premium Friday system   Encouragement to take paid holidays  
Payment of cost of influenza vaccination by the Company

### Development of human resources

Various types of rank-based training  
System of sending employees overseas for training



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## 8. ESG Initiatives (3)



Governance Governance

### Measures based on the Corporate Governance Code

Conducted evaluation of effectiveness of Board of Directors

Responded to revision of the Corporate Governance Code

#### Provision of information in English

Part of convocation notice,

Financial results briefing materials, FACT BOOK



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