

Financial Results Briefing for the Fiscal Year Ended March 31, 2018: Q&A

(Questions answered by:)

Akihiko Sakurai, President

Masanori Takahashi, Senior Managing Executive Officer, General Manager of Business Control Division

<Question 1>

Please explain in more detail how the negotiations about lithium-ion battery-related equipment will develop in the future.

<Answer 1>

(Takahashi)

In the current fiscal year, we expect to record net sales of around 20 billion yen in connection with negotiations about lithium-ion battery-related equipment. Of this, sales recorded based on outstanding contracts concluded in the fiscal year ended March 31, 2018 will be around 17 billion yen. Orders received and sales recorded in the current period ending March 31, 2019 are around 3 billion yen.

In the current fiscal year, we forecast orders received for lithium-ion battery-related equipment of around 13 billion yen.

In connection with these negotiations, we have received new inquiries from customers and would, therefore, like to continue actively working to expand orders received.

(Sakurai)

The business we are involved in mainly in China is negotiations with the electric vehicle industry.

Given that electric vehicles will be required to be competitive in the future, we are mindful of reducing the costs of the equipment we handle and are constantly proposing evolutionary equipment, including collaborating with manufacturers to develop new and improved process equipment and materials.

I think that, at the moment, we only handle items in one segment of the electric vehicle market. I believe that, with the use of new materials to reduce the weight of vehicles and the further promotion of electric vehicles, new commodities such as smart grids which optimize the distribution of electricity itself will increase. I expect that the electric vehicle market will grow in all sorts of directions and I would, therefore, like us to meet needs from a broader perspective rather than sticking to one item i.e. machinery.

<Question 2>

What are your segment income forecasts for the fiscal year ending March 31, 2019?

<Answer 2>

(Sakurai)

Our segment income forecasts for the fiscal year ending March 31, 2019 are income of:

around 1.3 billion yen in the Power Plant business;

around 1.0 billion yen in the Chemicals and Energy Plant business;

around 1.8 billion yen in the Industrial Machinery business;

around 0.15 billion yen in the Advanced Materials and Measuring Instruments business; and

around 0.5 billion yen in the Global business.

<Question 3>

Why will the Advanced Materials and Measuring Instruments and Global businesses which reported losses in the fiscal year ended March 31, 2018 move into profit?

<Answer 3>

(Sakurai)

We expect a recovery in the performance of the Advanced Materials and Measuring Instruments business, including the subsidiaries and affiliates that belong to this segment.

Similarly, we forecast recovery in the business results of overseas subsidiaries that belong to the Global business segment. Consequently, we expect both segments to move into profit.

<Question 4>

Why do you forecast an increase in operating income for the fiscal year ending March 31, 2019? Does this include an increase in profitability due to control of SG&A expenses?

<Answer 4>

(Sakurai)

We forecast an increase in operating income partly due to expansion in operating revenue. We also expect SG&A expenses to be unchanged from the previous fiscal year.

<Question 5>

In the fiscal year ended March 31, 2018, you recorded an extraordinary income (gain on sales of investment securities) and an extraordinary loss (loss on business of subsidiaries). Do you expect to record similar extraordinary income and extraordinary loss in the fiscal year ending March 31, 2019?

<Answer 5>

(Sakurai)

We do not expect to record this kind of extraordinary income or loss in the current fiscal year.

<Question 6>

Regarding the allowance for doubtful accounts of the Chinese subsidiary recorded in the fiscal year ended March 31, 2018, please give details of recovery and/or the prospect of recovery.

<Answer 6>

(Sakurai)

We are currently working to recover receivables under contracts. We are at the stage of negotiating with the other parties and carrying out necessary procedures. I cannot give any further details.

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.