

Financial Results Briefing for the Fiscal Year Ended March 31, 2019

SEIKA CORPORATION
(TSE Section 1: 8061)

May 27, 2019

The projections and forward-looking statements contained herein are made or calculated based on the judgment, evaluation, acknowledgement of facts, policy formulation and other deliberation of the management of Seika Corporation in light of information currently available to it.
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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Good afternoon, everyone.

I am Akihiko Sakurai, President of Seika Corporation.

First of all, I would like to express 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 begin the financial results presentation for the fiscal year ended March 31, 2019.

Contents

1. Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019
2. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020
3. Medium-Term Management Plan CS2020
4. Shareholder Returns (Dividends and Acquisition of Treasury Stock)

★Reference Materials★



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Today, I would like to make a slide-based presentation on the following matters:

- Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019
- Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020
- Medium-Term Management Plan CS2020
- Shareholder Returns (Dividends and Acquisition of Treasury Stock)

For information requested by investors, such as performance trend graphs, please refer to the subsequent pages included as reference material.

1. Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019



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I will begin by presenting a summary of our consolidated financial results for the fiscal year ended March 31, 2019.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

(In million yen)

	2018/3	2019/3	Change (Y o Y)
Amount of orders received	138,454	150,429	+8.6 %
Net sales	165,585	157,145	-5.1 %
Operating income	2,598	2,118	-18.5 %
Ordinary income	2,877	2,418	-15.9 %
Profit attributable to owners of parent	1,655	1,587	-4.1 %



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The Group recorded orders received of 150.429 billion yen, which was an increase of 8.6% year on year.

It also posted:

net sales of 157.145 billion yen;

operating income of 2.118 billion yen;

ordinary income of 2.418 billion yen; and

profit attributable to owners of parent of 1.587 billion yen

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (by segment)

(In million yen)

	N e t s a l e s		I n c o m e	
	2019/3	C h a n g e (Y o Y)	2019/3	C h a n g e (Y o Y)
P o w e r P l a n t	47,633	-4.2%	1,407	-28.9%
C h e m i c a l s a n d E n e r g y P l a n t	53,682	+115.7%	761	+10.1%
I n d u s t r i a l M a c h i n e r y	42,667	-44.0%	1,363	-23.2%
A d v a n c e d M a t e r i a l s a n d M e a s u r i n g I n s t r u m e n t s	1,519	-35.6%	-174	+16.5%
G l o b a l B u s i n e s s	11,642	-6.6%	402	Segment loss of 91 million yen in 2018/3
T o t a l	157,145	-5.1%	3,760	-9.3%



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Net sales and income posted by each segment are as follows.

The Power Plant business recorded sales that were almost the same as those in the previous year, but segment income declined from the year-ago level, reflecting a decline in the number of highly profitable special orders for construction.

The Chemicals and Energy Plant business achieved increases in net sales and segment income, partly due to sales of newly constructed power generation equipment for oil companies.

The Industrial Machinery business recorded decreases in net sales and segment income due to the impact of deliveries carried forward with respect to lithium-ion battery-related equipment.

The Advanced Materials and Measuring Instruments business recorded a decline in net sales because of sluggish progress in business negotiations regarding printed circuit boards and the poor performance of Seika Digital Image, which is our subsidiary. Even so, the segment loss decreased as a result of reviewing business strategies and implementing structural reforms.

Finally, in conjunction with the Global business, Tsurumi (Europe) GmbH and Seika Sangyo GmbH, which are European subsidiaries, recorded solid performances while sales decreased from the year-before level at Seika Shanghai Co., Ltd, a Chinese subsidiary, and Seika Sangyo (Thailand) Co., Ltd., a Thai subsidiary. As a result, net sales declined. Segment income recovered significantly thanks to profits posted at European subsidiaries, which offset the poor performance of Seika YKC Circuit (Thailand) Co., Ltd., a Thai subsidiary.

On the following pages, I will explain the initiatives that will be implemented for each business going forward.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (by segment)

(In million yen)

	Amount of orders received		Order backlog	
	2019/3	Change (Y o Y)	2019/3	Change (Y o Y)
Power Plant	40,298	-13.8%	30,052	-19.6%
Chemicals and Energy Plant	49,827	+55.7%	62,481	-5.8%
Industrial Machinery	47,724	+7.5%	64,314	+8.5%
Advanced Materials and Measuring Instruments	570	-80.6%	438	-68.4%
Global Business	12,008	-3.0%	2,822	+14.9%
T o t a l	150,429	+8.6%	160,110	-4.0%



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This slide shows the amounts of orders received and the order backlog for each business.

The amount of orders received increased sharply in the Chemicals and Energy Plant business, reflecting orders amounting to 16.0 billion yen for new power generation equipment for chemical companies.

The Chemicals and Energy Plant business posted sales of 26.0 billion yen for large projects, but the order backlog remained at 160.0 billion yen as a result of increases in the number of other projects.

The Group will work to ensure that the order backlog, whose amount almost equals its net sales for the one-year period, is reflected as sales going forward.

2. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020



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I will now move on the consolidated Financial Results forecast for the current fiscal year.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

(In million yen)

	2019/3 Result	2020/3 Forecast	Change (YoY)	Rate of Change (YoY)
Net sales	157,145	135,000	-22,145	-14.1%
Operating income	2,118	2,400	282	+13.3%
Ordinary income	2,418	2,700	282	+11.6%
Profit attributable to owners of parent	1,587	1,650	63	+3.9%
Amount of orders received	150,429	184,000	33,571	+22.3%
Order backlog	160,110	209,000	48,890	+30.5%



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We forecast:

net sales of 135.0 billion yen;
operating income of 2.4 billion yen;
ordinary income of 2.7 billion yen; and
profit attributable to owners of parent of 1.65 billion yen.

In addition, we expect:

the amount of orders received to total 184.0 billion yen; and
the order backlog to total 209.0 billion yen.

Consolidated Financial Result Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)				Business Activities
Power Plant	2019/3 Result	2020/3 Forecast	Change (YoY)	
Net sales	47.63	38.0	-20.2%	<ul style="list-style-type: none"> • 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
Income	1.40	1.75	+25.0%	
Amount of orders received	40.29	66.0	+63.8%	
Order backlog	30.05	58.0	+93.0%	

Power Plant Changes in Net Sales and Segment Income (In million yen)

Year	Net Sales (million yen)	Segment Income (million yen)
2016/3	~45,000	~1,500
2017/3	~55,000	~2,000
2018/3	~48,000	~1,800
2019/3	~45,000	~1,500
2020/3 (forecast)	38,000	1,750

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I will explain our forecasts for each business here and on the next few pages.

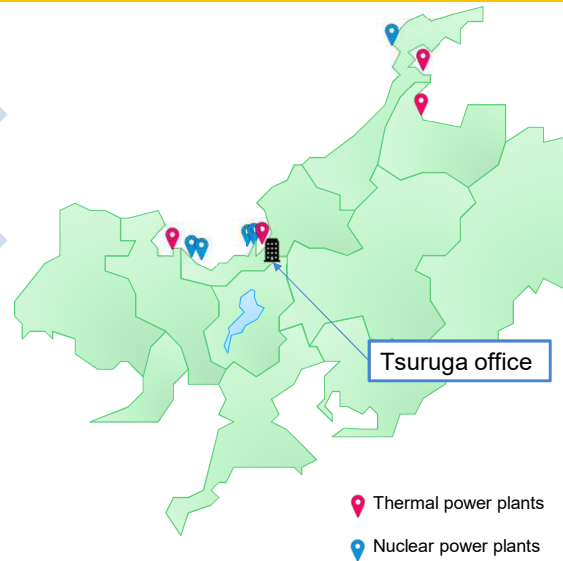
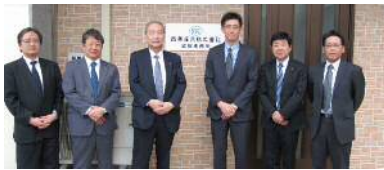
First, in the Power Plant business, projects for thermal power plants continue to face difficult business environments. Even so, we expect to post net sales of 38.0 billion yen and segment income of 1.75 billion yen by focusing our efforts on advancing negotiations regarding projects for nuclear power plants as well.

As for the amount of sales received, we forecast 66.0 billion yen, mainly due to large orders for regular inspection works for thermal power plants as well as the order backlog of 58.0 billion yen.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

Power Plant Business: Opened Tsuruga office in April 2019

- Kansai Electric Power**
 - Nuclear power plants
 - Thermal power plants
- Hokuriku Electric Power**
 - Nuclear power plants
 - Thermal power plants



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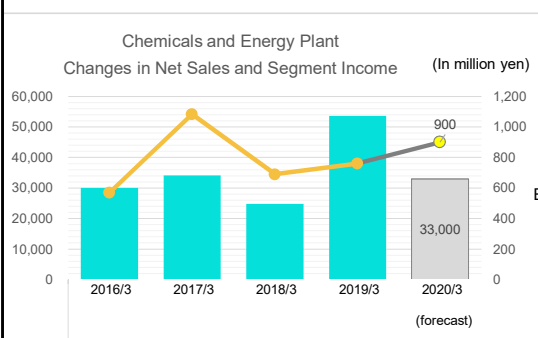
In April this year, we established the Tsuruga office as the Company's first operation base in the Hokuriku area.

With several power plants located in this area, as the slide shows, we will make the most of our past experience and proceed determinedly with our business activities to create new sources of revenue in the Power Plant business.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Chemicals and Energy Plant	2019/3 Result	2020/3 Forecast	Change (YoY)	Business Activities
Net sales	53.68	33.0	-38.5%	Sale of power generation equipment and process manufacturing equipment to chemical companies, oil companies, paper companies, steel companies and rail companies
Income	0.76	0.90	+18.4%	
Amount of orders received	49.82	46.0	-7.7%	
Order backlog	62.48	75.5	+20.8%	



Shikishimakiki CORPORATION
Engines for marine and land use



Chemicals Plant



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Next, in the Chemicals and Energy Plant business, we forecast net sales of 33.0 billion yen because no new power generation equipment is expected to be delivered in the current period.

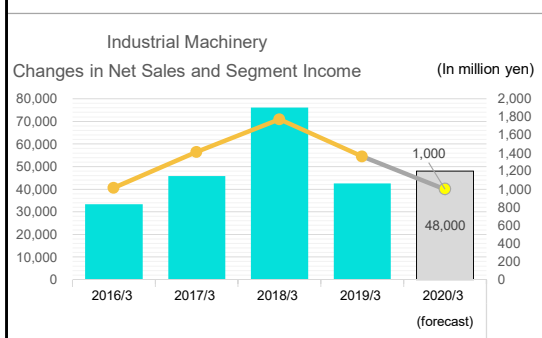
With a recovery in the performance of Shikishimakiki CORPORATION, our subsidiary, we expect the segment income to increase to 0.9 billion yen.

The amount of orders received is expected to be 46.0 billion, or equal to the previous year's level, in anticipation of renewal work for power generation equipment of steel companies and chemical companies. The order backlog is forecast to be 75.5 billion yen.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Industrial Machinery	2019/3 Result	2020/3 Forecast	Change (YoY)	Business Activities
Net sales	42.66	48.0	+12.5%	Sale of equipment and instruments and provision of maintenance services to customers in a wide range of industries including those for electric vehicles, new materials, textiles, films and beverages
Income	1.36	1.00	-26.5%	
Amount of orders received	47.72	55.0	+15.3%	
Order backlog	64.31	71.0	+10.4%	



Nippon Daiya Valve Co., Ltd.
Diaphragm valve, etc.



Lithium-ion battery-related equipment



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I will now move on to the Industrial Machinery business.

This business provides products and services to a range of industries including those for electric vehicles, new materials, textiles, films and beverages. In recent years, such products and services have included those for health foods and large plants.

Net sales for the current year are expected to be 48.0 billion yen, reflecting the delivery of some of the orders for lithium-ion battery-related equipment carried over from the previous period.

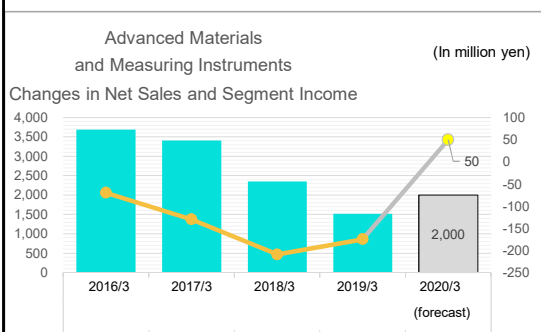
Segment income is forecast to be 1.0 billion yen because the profitability of Nippon Daiya Valve Co., Ltd., a subsidiary whose performance was strong last year, will decline to normal levels.

The amount of orders received and the order backlog are 55.0 billion yen and 71.0 billion yen, respectively.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen) **Business Activities**

Advanced Materials and Measuring Instruments	2019/3 Result	2020/3 Forecast	Change (YoY)	Business Activities 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 device
Net sales	1.51	2.0	+32.5%	
Income	-0.17	0.05	-	
Amount of orders received	0.57	2.0	+250.9%	
Order backlog	0.43	0.5	+16.3%	



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We conducted a review of the business strategies and organizational changes of the Advanced Materials and Measuring Instruments business in the previous year to put an end to its unprofitable operation.

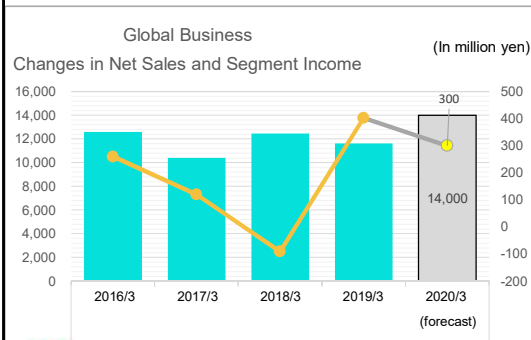
In the current period, we will ensure a recovery in the performance of Seika Digital Image, a subsidiary, and strengthen the business of measuring equipment such as gas density monitoring devices used for environment and security facilities.

By doing so, we forecast net sales of 2.0 billion yen and segment income of 0.05 billion yen, whilst orders received and the order backlog are expected to amount to 2.0 billion yen and 0.5 billion yen, respectively.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

(In billion yen)

Global Business	2019/3 Result	2020/3 Forecast	Change (YoY)	Business Activities
Net sales	11.64	14.0	+20.3%	(Europe) Sale of industrial robots to in-vehicle device manufacturers, sale and rental of water pumps
Income	0.40	0.30	-25.0%	(North America) Sale of electronic board mounting equipment to Japanese automotive manufacturers
Amount of orders received	12.00	15.0	+25.0%	(Asia) Sale of machinery and equipment to the textiles and chemicals industries and other general industries
Order backlog	2.82	4.0	+41.8%	



Seika Machinery, Inc.
Board mounting-related equipment for the automotive industry



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 outline the results of the Global business.

For the current period, we expect net sales of 14.0 billion yen, reflecting the continued strong performances of Seika Sangyo GmbH and Tsurumi (Europe) GmbH, which are European subsidiaries, Seika Machinery Inc., a US subsidiary, and Seika Sangyo (Thailand) Co., Ltd., a Thai subsidiary, as well as a turnaround in the performance of Seika Shanghai Co., Ltd, a Chinese subsidiary. Tsurumi (Europe) GmbH, which posted record-high net sales in the previous year, is considering establishing a new sales base to further expand its business.

Segment income is not expected to exceed 0.3 billion yen due to the delayed start of mass manufacturing at Seika YKC Circuit (Thailand) Co., Ltd., a Thai subsidiary.

Orders received for this business are expected to amount to 15.0 billion yen in total due to the steady progress of business negotiations at overseas branches in Taiwan, Singapore and Korea. The order backlog is forecast to amount to 4.0 billion yen.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020

Global Business:

Established a local subsidiary in Vietnam and commenced operation in January 2019



Bitexco Financial Tower

Overview of SEIKA SANGYO (VIETNAM) COMPANY LIMITED

Head office	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)



Scene from the opening ceremony held on February 28, 2019

Strategies for Southeast Asia

- Vietnam
- Singapore
- Thailand



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I would now like to touch upon the establishment of a local subsidiary in Vietnam to share a topic related to the Global business with you.

The Company has been operating in that country since it established a representative office in Ho Chi Minh City in 2011.

Vietnam has been making progress with regard to industrialization in recent years, backed by active investments in infrastructure, the environment and manufacturing.

Based on the assumption that a contribution to profitability is expected thanks to an increase in the number of Japanese companies that are expanding into the country, we established a local subsidiary in Ho Chi Minh City in December 2018 and commenced operation in January 2019.

We have already received orders for large manufacturing facilities from Japanese chemical companies. Through such brisk sales activities, we expect that our businesses there will be one of the main sources of revenue in the near future.

Seika Sangyo Vietnam will develop the Southeast Asian market in collaboration with the Group's other facilities, particularly those in Thailand and Singapore, thereby contributing to the expansion of the Global business.

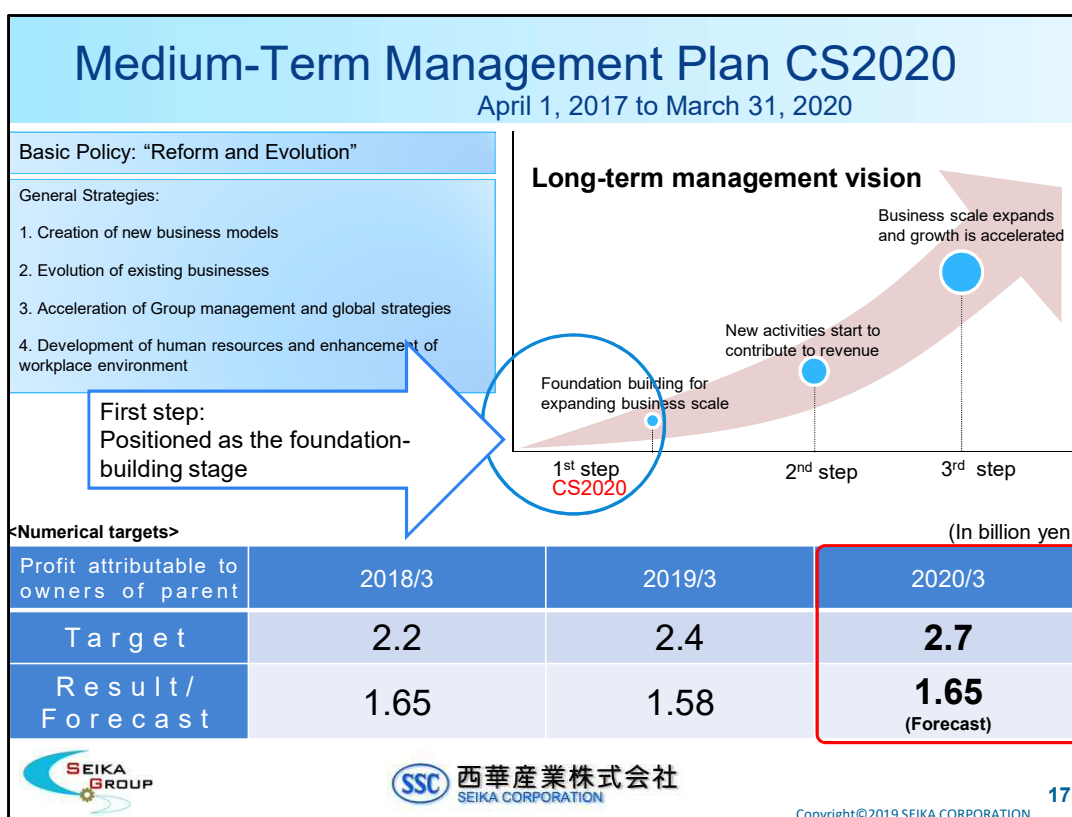
3. Medium-Term Management Plan CS2020



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Next, I would like to outline the Medium-Term Management Plan.



Medium-Term Management Plan CS2020 is considered as the first step for the long-term management vision, and is positioned as the period in which a foundation will be developed for expanding the business scale.

We are in the process of implementing four general strategies, because changes in business models and the evolution of traditional businesses are essential to facilitate the diversification of the Group's business domains.

The results fell short of the numerical targets in the Medium-Term Management Plan CS2020, and the reasons for the shortfalls are clear.

The underachieved targets were attributable to impairment losses posted at overseas subsidiaries in the first year of the Plan, poor performances recorded by some subsidiaries in the second year, and export business negotiations carried forward to the subsequent year on a non-consolidated basis.

In particular, subsidiaries with poor performances are in the process of reviewing their business strategies and putting additional human resources in place, which we expect to lead to performance recoveries.

We have re-analyzed the business environment of the respective businesses to confirm that our long-term management vision and the basic policy in the Medium-term Management Plan remain appropriate. Accordingly, we will continue working to ensure that each measure is implemented according to the basic policy, and we will make efforts to achieve the targets going forward.

Medium-Term Management Plan CS2020			
	Business environments Business characteristics	Business directions	Growth strategies
Power Plant	Reflecting the trend of creating a low-carbon society, investments in coal-fired thermal power plants will decrease. Even so, stable earnings are expected from regular inspection work, etc.	<ul style="list-style-type: none"> ● Focus efforts on the area of disaster prevention/safety facilities for nuclear power plants. ● Initiatives to contribute to the extension of the life of existing thermal power plants. ● Focus efforts on the area of environment-friendly small-scale hydroelectric power plants (renewable energy). 	Implementation of strategic M&As
Chemicals and Energy Plant	Investments are increasing to deal with aging facilities, extend the life of facilities, and facilitate labor savings nationwide.	<ul style="list-style-type: none"> ● Provide solutions that satisfy needs by leveraging the locational advantage of branches established near customers' plants. ● Initiatives to move forward with business negotiations on the modification of equipment that extends the life of plants. ● Focus efforts on increasing electric vehicle-related business negotiations. ● Focus efforts on the area of renewable energy such as biomass power generation. 	
Industrial Machinery	We will sell special application-oriented equipment and instruments and provide maintenance services to customers in a wide range of industries including those for electric vehicles, new materials, textiles, films and beverages/foods.		



I would now like to share the external business environments and business directions with you.

With respect to the business environment in which the Company operates, investments in new facilities are decreasing in business negotiations on coal-fired thermal power plants, reflecting the trend of creating a low-carbon society.

On the other hand, with the issue of aging facilities becoming increasingly apparent in Japan, capital investments are increasing to extend the life of facilities and facilitate labor savings.

Even in such business conditions, the Power Plant business expects stable earnings, mainly from maintenance services for thermal power generation facilities and negotiations on businesses for nuclear power plants.

In addition, we will promote products and services for nuclear power plants that have recorded good sales in the Kyushu and Shikoku areas in other areas, thereby contributing to an increase in revenue.

In the Chemicals and Energy Plant business and the Industrial Machinery business, we will focus our efforts on advancing business negotiations on biomass power generation, which is a renewable energy business area, electric vehicles, development and manufacturing equipment for advanced materials and the modification of equipment for extending the life of plants, among other products and services, in addition to the business negotiations in which we have engaged to date.

On top of our efforts to further evolve our traditional businesses, we will also implement strategic M&As with a view to expanding our revenue sources in the future.

We are also in the process of enhancing the level of corporate governance and changing our workstyles from the perspective of the Group's sustainable growth and the improvement of corporate value on a medium- to long-term basis.

In addition, we are working on initiatives to create sound, highly transparent management structures such as the establishment of a nomination/remuneration examination committee under the Board of Directors.

4. Shareholder Returns
(Dividends and Acquisition of Treasury Stock)



西華産業株式会社
SEIKA CORPORATION

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I would now like to outline shareholder returns.

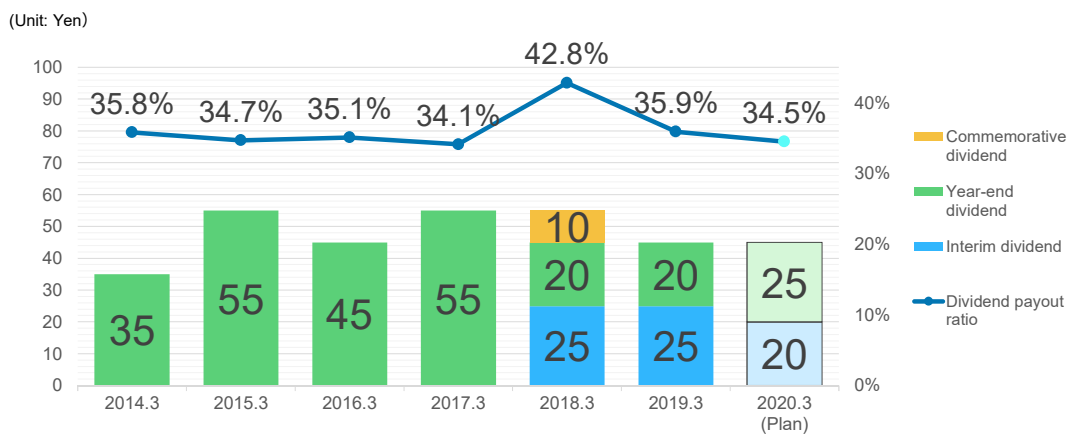
Shareholder Returns: Dividends

The Company implemented a consolidation of shares at a ratio of one (1) share for every five (5) shares of its common stock with an effective date of October 1, 2017. Results reflect the effect of the consolidation of shares.

Basic Policy

The Company considers the return of profits to shareholders one of the most important management issues and has a basic policy of paying a stable dividend. While strengthening business foundations through efficient business operations across both an operational and financial perspective, and flexibly responding to funding needs for new business development, etc.,

the Company targets a consolidated dividend payout ratio of 35%.



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The Company considers the return of profits to shareholders to be one of its most important management issues, and it has a basic policy of paying a stable dividend. It targets a consolidated dividend payout ratio of 35%.

For the fiscal year ending March 31, 2020, we plan to pay an annual dividend per share of 45 yen, which consists of the interim dividend per share of 20 yen and the year-end dividend per share of 25 yen.

Acquisition of Treasury Stock

Resolution at a meeting of the Board of Directors held on May 10, 2019 Acquisition of treasury stock

Acquisition period	May 13, 2019 – March 19, 2020
Total number of shares to be acquired	400,000 shares (upper limit)
Total acquisition value of shares	700 million yen (upper limit)

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Next, I would like to touch upon the acquisition of treasury stock.

At a meeting of the Board of Directors held on May 10, 2019, we passed a resolution on acquiring treasury stocks with upper limits of 400,000 shares and 700 million yen during the period from May 13, 2019 until March 19, 2020.

The Company will continue to work actively on shareholder returns by comprehensively taking into consideration factors such as our dividend policy and full-year business performance.

We will seek to create a company that can be easily understood by all stakeholders, including shareholders and investors. With this in mind, we will communicate a range of messages such as those concerning business strategies. Your continued guidance and encouragement would be greatly appreciated.

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

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That concludes the financial results briefing for the fiscal year ended March 31, 2019.
Thank you very much for your attention.