



President Akihiko Sakurai

Seika Corporation (8061)



Company Information

Market	TSE 1st Section
Industry	Wholesale
President	Akihiko Sakurai
HQ Address	Shin-Tokyo Bldg, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Year-end	End of March
Homepage	http://www.seika.com/en/

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥1,280	12,820,650 shares		¥16,410 million	5.6%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥45.00	3.5%	¥130.30	9.8 x	¥2,246.34	0.6 x

*The share price is the closing price on June 14. The number of shares outstanding, ROE, DPS, EPS and BPS were taken from the brief financial report for the term ended March 2019.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2015 (Actual)	132,033	3,400	3,939	2,188	158.30	55.00
March 2016 (Actual)	127,101	2,174	2,426	1,750	128.28	45.00
March 2017 (Actual)	150,742	3,046	3,390	2,140	161.29	55.00
March 2018 (Actual)	165,585	2,598	2,877	1,655	128.38	55.00
March 2019 (Actual)	157,145	2,118	2,418	1,587	125.50	45.00
March 2020 (Forecast)	135,000	2,400	2,700	1,650	130.30	45.00

*Unit: million yen or yen. Oct. The company implemented a reverse stock split at 1:5 on October 1, 2017. EPS and DPS adjusted retroactively. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This report outlines the overview of Seika Corporation for the fiscal year March 2019 earnings results.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Fiscal Year March 2019 Earnings Results](#)

[3. Fiscal Year March 2020 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference1: The Long-term Management Vision and Mid-term Management Plan>](#)

[<Reference2: Regarding Corporate Governance>](#)

Key Points

- The sales for the term ended March 2019 were 157.1 billion yen, down 5.1% year on year. Although the chemicals and energy plant business saw significant growth, sales of all the other segments decreased. Operating income was 2.11 billion yen, down 18.5% year on year. Profits of the power plant and industrial machinery businesses decreased, and the global business saw an operating loss. Sales and profits were lower than the initial forecasts as the delivery of lithium-ion battery-related equipment for China was postponed due to the customers. As for dividends, the initial forecast was revised from 55 yen/share to 45 yen/share.
- The sales for the term ending March 2020 are expected to be 135 billion yen, down 14.1% year on year, and operating income is projected to rise 13.3% year on year to 2.4 billion yen. The dividend amount is to be 45 yen/share, and the estimated payout ratio is 34.5%.
- This term is the final fiscal year of the “Mid-term Management Plan CS2020,” which is to be the first step in the long-term management vision. Currently, the goal has not been achieved due to extraordinary loss from overseas subsidiaries in the first year, and poor business performance from some of the company’s subsidiaries and the postponed delivery of equipment related to export negotiations with China in the second year. As for the subsidiaries with poor performance, the company has conducted reviews on business strategies and additional employment of human resources, and it is expected that the company will recover its performance after this term.
- Although profit for this term, which is the final fiscal year of the “Mid-term Management Plan CS2020,” is expected to grow to be positive for the first time in three terms, unfortunately the company will not achieve the goal: “a net income of 2.7 billion yen.” However, recovery of subsidiaries with unfavorable performance has been experiencing steady progress, and we should pay attention to how much the company will approach the goal, “net income of 2.7 billion yen,” for the final fiscal year in order to take the second step in the long-term management vision. In addition, we would like to expect the company to recover its overseas sales ratio, which declined considerably in the previous term.

1. Company Overview

Under the corporate philosophy “To Contribute to Society Through the Expansion of Business,” Seika Corporation sells equipment, devices, etc. and offers services in the fields of electric power, chemistry, energy, industrial machinery, material, and measurement as a general machinery trading company.

Its three characteristics and strengths are sales capability thoroughly versed in fields, extensive expertise in each business, and a wide network including 76 business bases both inside and outside Japan.

1-1 Corporate History

In July 1947, after the Pacific War, Mr. Douglas MacArthur, Supreme Commander for the Allied Powers, ordered the dissolution of the old Mitsubishi Corporation with a memorandum. In October 1947, the first president Koji Nakabayashi and staff of the machinery division of Moji Branch played a central role in founding Seika Corporation in Moji-ku, Kitakyushu-shi.

The corporate name is derived from “Essence of commerce: To pursue the quintessence of commerce, and offer benefits to others while earning money,” “Star company of the west: To aim to become a star company in western Japan,” and “China: It may become helpful if the trade with China increases.”

The company expanded business actively, establishing branches throughout Japan, including Tokyo and Osaka, and an overseas office in Dusseldorf, Germany (old West Germany), where only a few Japanese people resided around that time, in November 1954. The company was listed in the first section of Tokyo Stock Exchange in October 1961.

Then, it has grown as a general machinery trading company, by fortifying the sales base mainly in western Japan and establishing footholds in the U.S., Europe, and Asia.

In 2017, which was the 70th anniversary of the establishment of Seika Corporation, the company set a long-term management vision for the year 2027 “Envisioned Seika Group 10 years from now” and a new three-year plan “Mid-term Management Plan CS2020,” which began in April 2017, and these are ongoing.

1-2 Corporate Philosophy

Seika Corporation set up the following corporate philosophy and code of conduct.

Corporate Philosophy	<p>“Our Philosophy is to Contribute to Society Through the Expansion of Business.”</p> <p>No matter how society changes, the Group is committed to conducting business that rewards all stakeholders and being a Valuable Business that contributes to the realization of an affluent society.</p>
Code of conduct	<p>The following is the code of conduct for employees of Seika Corporation:</p> <ol style="list-style-type: none"> 1. Being trustworthy is a priceless asset. 2. To always have a high appreciation of the significance of existence is the basis of the business activities of a trading company. 3. Fast and accurate information activities and effective responses win everything. 4. To make decisions and handle things using objective consideration and pursue necessity and rationality without being influenced by intuition. 5. To be driven by a pioneering spirit, be challenged, and be proud to overcome all difficulties, barriers, and turbulent times.

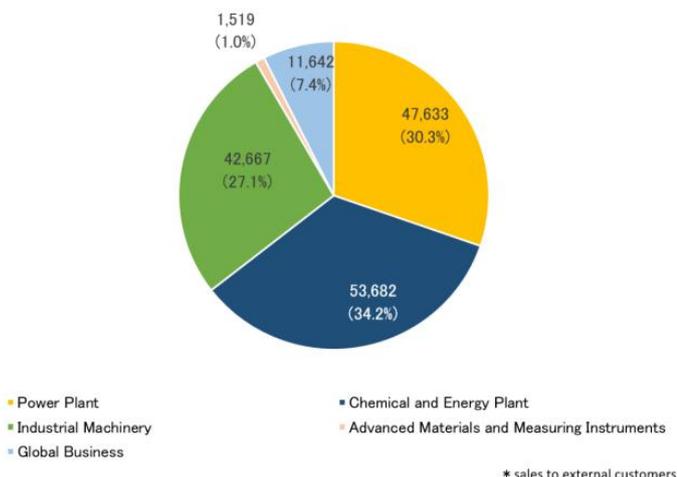
1-3 Business Description

(1) Business segments

As a general machinery trading company, Seika Corporation sells machinery, equipment, devices, and ancillary products and offers services in the fields of electric power, chemistry, energy, industrial machinery, material, and measurement.

The segments to be reported are “Power Plant,” “Chemicals and Energy Plant,” “Industrial Machinery,” “Advanced Materials and Measuring Instruments,” and “Global Business.”

Ratio of sales of each segment (term ended Mar. 2019; unit: million yen)



① Power Plant

The clients of Seika Corporation are electric power companies in western Japan, including The Kansai Electric Power, Kyushu Electric Power, The Chugoku Electric Power, Shikoku Electric Power, Electric Power Development Co.,Ltd. (J-POWER), and joint electric power companies, such as Wakayama Kyodo Power. The company sells industrial power generation equipment, such as boilers and gas turbines, environmental conservation equipment for treating discharged water and exhaust gas, anti-crime and anti-disaster equipment, such as security equipment and fire extinguishing equipment for nuclear power plants, etc.

The suppliers include Mitsubishi Hitachi Power Systems (MHPS), which is a joint venture of Mitsubishi Heavy Industries, Ltd. and Hitachi, Ltd. Seika Corporation possesses the distributorship for thermal power generation equipment of MHPS.



② Chemicals and Energy Plant

Seika Corporation procures in-house power generation equipment, such as boilers and turbines, environmental conservation equipment for treating discharged water and exhaust gas, and so on from MHPS, etc., and sells them to chemical companies, oil companies, paper-manufacturing companies, steelmakers, and railway companies.

In addition, the company procures equipment for manufacturing chemical products, etc. from Japanese manufacturers and sells them.



Chemical plant

③ Industrial Machinery

Seika Corporation provides clients in a broad range of industries with textile equipment, food processing equipment, brewing equipment, plant machinery, liquid crystal-related equipment, environment-related apparatus, uninterruptible power systems (UPS), etc. produced by Japanese manufacturers, and offers maintenance services.

Recently, the company deals with lithium ion battery-related equipment for electric vehicles (EV) in China.



④ Advanced Materials and Measuring Instruments

Seika Corporation sells equipment for manufacturing printed circuit boards for electronic equipment, etc. to mainly domestic consumer electronics manufacturers, and delivers advanced technology-based measurement equipment, such as laser measurement instruments and pore size measurement instruments, to government offices and research institutes. The company also handles a wide array of products, including measurement equipment of industrial machinery for environmental conservation and equipment for water treatment. Products are procured mainly from overseas manufacturers.



Laser-type gas concentration measurement equipment

⑤ Global Business

(Europe)

While selling industrial robots to automotive customers, Seika Corporation sells and leases submersible pumps used in construction, etc. These products are procured mainly from Japanese manufacturers.

(North America)

The company sells Japanese-made industrial machinery used in the PCB surface mount production line to clients affiliated with Japanese automotive manufacturers.

(Asia)

The company sells Japanese-made machinery and equipment to companies within the textile, chemical, and other general industries, and also procures raw materials outside Japan and sells them to textile manufacturers.

Seika Sangyo GmbH

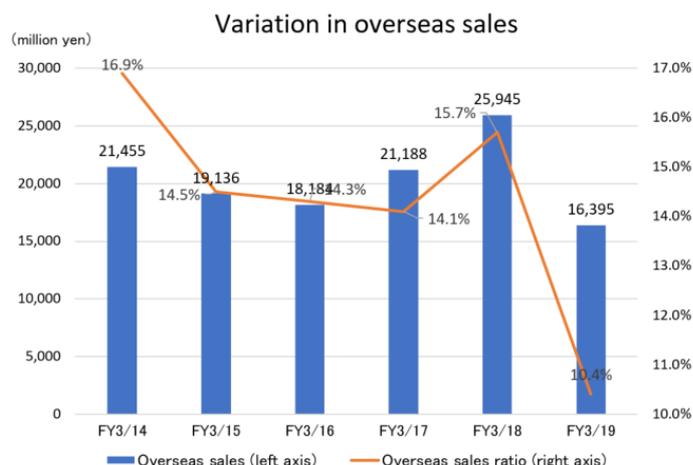
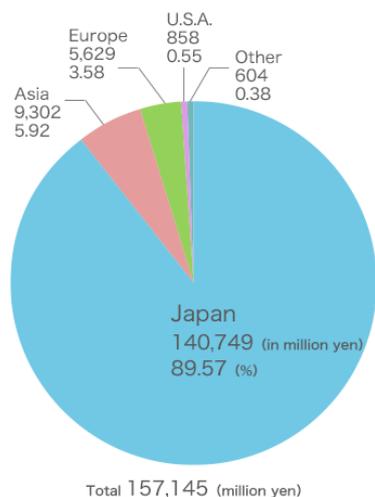
Industrial machinery and electronic information systems



(2) Sales in each region

Domestic sales account for over 80%, but the acceleration of global business expansion is included in the mid-term management plan CS2020 as a company-wide strategy, and the company aims to raise the ratio of overseas sales.

Ratio of sales in each region in term ended March 2019



(Taken from the website of the company)

1-4 Characteristics and strengths

(1) Hands-on sales capability

The capability of hands-on sales nurtured in their 70 years history is the company's greatest strength.

By building relationships of trust through meticulous customer services and forming personal connections, Seika Corporation is able to obtain a steady stream of orders.

(2) High level of expertise in each business

Although trading companies are sometimes thought of as middlemen, Seika Corporation has garnered excellent reputation as an essential business partner with a high level of expertise, including profound information gathering capabilities and the ability to develop proposals that stay one step ahead of clients.

(3) Extensive network comprised of 76 bases in Japan and overseas

Ten years ago, the company had around 30 bases, but in anticipation of globalization, they have been rapidly expanding the number of bases, mainly in Europe and Southeast Asia.

The speed and comprehensiveness of information have increased further, and by utilizing this, the company hopes to further improve its corporate value.

(4) Measures to strengthen employee education and sales capabilities

Seika Corporation primarily uses on-the-job training to develop its employees. Senior staff and those with more experience teach newer employees the essentials, and the company also focuses on overseas training programs and seminars for each skill level.

Nowadays, the company requests the former staff of manufacturers and client companies to provide its employees with consultation services and hands-on support for sales.

The advice the company receives allows them to further improve their expertise and sales capabilities.

1-5 ROE analysis

	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19
ROE (%)	8.5	6.6	7.9	5.9	5.6
Net income margin (%)	1.66	1.38	1.42	1.00	1.01
Total asset turnover (x)	1.76	1.52	1.45	1.53	1.71
Leverage (x)	2.90	3.13	3.82	3.83	3.42

Seika Corporation is still unable to keep its ROE over 8%, which is required for Japanese companies. Since leverage is relatively high, profit rate is expected to improve.

1-6 Efforts for ESG

<E: Environment>

The environmental policy of the company is to “make efforts to protect the earth environment and contribute to the realization of a sustainable society.”

Under this policy, the company obtained the ISO14001 certificate in 2005, and is promoting environmentally-friendly products.

The environmentally friendly products handled by the company are diverse, including equipment for treating exhaust gas from boilers and incinerators and organic solvent recovery equipments for chemical and semiconductor factories. The amount of orders in the term ended March 2019 was about 103 billion yen, as mentioned below.

The company will continue to contribute to the conservation of the earth environment through business activities, and not merely from the perspective of social contribution.

Orders for environmentally friendly products in the term ended Mar. 2019	No. of orders received	Amount of orders received
Energy saving/resource saving/efficiency improving	10,650	97.85 billion yen
Pollution control	963	4.92 billion yen
Recycling/reuse	596	0.84 billion yen
Total	12,209	10.362 billion yen



(Taken from the reference material of the company)

<S: Social responsibility>

To fulfill its “social responsibility,” Seika Corporation engages in work-style reforms as follows.

“Promotion of women’s active participation in the workplace”

- To recruit more women in the main career track
- To support female employees in developing their careers
- To appoint female managers

“Enhancement of health of employees”

- To adopt Premium Friday
- To promote the use of paid holidays
- The company bears the expense for cancer screening (tumor marker option) in a health checkup
- The company bears the cost of influenza vaccinations

“Personnel development”

- Training at each level
- Overseas training system

<G: Governance>

The website of the company discloses the activities for each item of the Corporate Governance Code.

“The effectiveness of the board of directors” was evaluated, and in order to deal with the revised corporate governance, the board of directors established the “review committee for appointment,” and “review committee for compensation,” which are composed of outside directors and outside auditors as an arbitrary system.

The company translated some convocation notices into English, and produced financial results briefing materials and a fact book in English.

In order to grow sustainably and improve its corporate value in the medium/long term, the company will strive to strengthen corporate governance, and pursue a sound, transparent management system.

1-7 Shareholder return

The primary managerial mission of the company is to return profit to shareholders, and its basic policy is stable dividend payment. Through the efficient business operation from the marketing and financial aspects, the company aims to fortify the management base. While dealing with the demand for funds for developing new businesses, etc., the company plans to achieve a consolidated payout ratio of 35%.

For the term ending March 2020, the company plans to pay an interim dividend of 20 yen/share and a term-end dividend of 25 yen/share, that is, a total of 45 yen/share, and the estimated payout ratio is 34.5%.

The company will actively return profit to shareholders while comprehensively considering the dividend policy, full-year results, etc.

**2. Fiscal Year March 2019 Earnings Results****(1) Consolidated Business Results**

	FY 3/18	Ratio to sales	FY 3/19	Ratio to sales	YoY	Compared with the initial forecasts
Sales	165,585	100.0%	157,145	100.0%	-5.1%	-10.2%
Gross profit	14,588	8.8%	14,035	8.9%	-3.8%	-
SG&A	11,989	7.2%	11,916	7.6%	-0.6%	-
Operating Income	2,598	1.6%	2,118	1.3%	-18.5%	-31.7%
Ordinary Income	2,877	1.7%	2,418	1.5%	-15.9%	-28.9%
Net Income	1,655	1.0%	1,587	1.0%	-4.1%	-27.9%

*Unit: million yen. Net income is profit attributable to owners of parent.

Sales and profit decreased

Sales were 157.1 billion yen, down 5.1% year on year. Although the chemicals and energy plant business saw significant growth, sales of all the other segments decreased.

Operating income was 2.11 billion yen, down 18.5% year on year. Profits of the power plant and industrial machinery businesses decreased, and the advanced materials and measuring instruments business saw an operating loss.

Sales and profits were lower than the initial forecasts as the delivery of lithium-ion battery-related equipment for China was postponed due to circumstances of the delivery destination.

As for dividends, the initial forecast was revised from 55 yen/share to 45 yen/share.

(2) Overview of business performance in each segment

	FY 3/18	Ratio to sales	FY 3/19	Ratio to sales	YoY	Compared with the initial forecasts
Sales						
Power Plant	49,720	30.0%	47,633	30.3%	-4.2%	+10.8%
Chemicals and Energy Plant	24,890	15.0%	53,682	34.2%	+115.7%	-4.1%
Industrial Machinery	76,142	46.1%	42,667	27.1%	-44.0%	-28.9%
Advanced Materials and Measuring Instruments	2,359	1.4%	1,519	1.0%	-35.6%	-49.4%
Global Business	12,472	7.5%	11,642	7.4%	-6.6%	-10.4%
Total Sales	165,585	100.0%	157,145	100.0%	-5.1%	-10.2%
	FY 3/18	Ratio to sales	FY 3/19	Ratio to sales	YoY	Compared with the initial forecasts
Profits in each segment						
Power Plant	1,977	4.0%	1,407	3.0%	-28.9%	+8.2%
Chemicals and Energy Plant	691	2.8%	761	1.4%	+10.1%	-23.9%
Industrial Machinery	1,774	2.3%	1,363	3.2%	-23.2%	-24.3%
Advanced Materials and Measuring Instruments	-209	-	-174	-	-	-
Global Business	-91	-	402	3.5%	-	-19.6%
Total profit in all segments	4,143	2.5%	3,760	2.4%	-9.3%	-20.8%

*Unit: million yen. Sales to external clients. The composition ratio of profit means the rate of profit to sales.

① Power Plant

Sales and profits decreased.

The number of transactions with high profitability, such as specially ordered construction, decreased.

② Chemicals and Energy Plant

Sales and profit increased

Sales of new power generation equipment for oil companies contributed.

③ Industrial Machinery

Sales and profit declined.

The postponed delivery of lithium-ion battery-related equipment impacted.

④ Advanced Materials and Measuring Instruments

Sales decreased, and loss occurred.

In addition to unsuccessful negotiations regarding printed circuit boards, the performance of the subsidiary Seika Digital Image was also unfavorable.

⑤ Global Business

Sales decreased, but moved into the black.

While performance of European subsidiaries, Tsurumi (Europe) GmbH and Seika Sangyo GmbH remains steady, sales of Chinese subsidiary, Seika Shanghai Co., Ltd., and Thai subsidiary, Seika Sangyo (Thailand) Co., Ltd. dropped below the previous term.

(3) Financial standing and cash flows

◎ Main BS

	March 2018	March 2019		March 2018	March 2019
Current Assets	80,781	68,878	Current liabilities	63,911	51,500
Cash	15,147	12,957	Payables	34,105	31,474
Receivables	39,564	37,605	ST Interest-Bearing Liabilities	6,790	6,897
Inventories	3,655	5,634	Fixed Liabilities	5,394	5,175
Noncurrent Assets	17,513	16,863	LT Interest-Bearing Liabilities	2,116	2,147
Tangible Assets	4,534	4,606	Total Liabilities	69,306	56,675
Intangible Assets	996	749	Net Assets	28,988	29,066
Investment, Others	11,982	16,863	Retained earnings	16,633	17,508
Total assets	98,295	85,742	Total liabilities and net assets	98,295	85,742

*Unit: million yen. Interest-bearing debt does not include lease obligations.

Total assets decreased 12,553 million yen from the end of the previous term to 85,742 million yen due to decreases in receivables and advance payments. Total liabilities declined 12,630 million yen from the end of the previous term to 56,675 million yen, as a result of decreases in payables and advances received.

Net assets are almost unchanged, amounting to 29,066 million yen.

Equity ratio rose 4.3 points to 33.2% from 28.9% at the end of the previous term.

◎ Cash Flow

	FY 3/18	FY 3/19	Increase/decrease
Operating Cash Flow	1,339	-734	-2,073
Investing Cash Flow	126	-1,127	-1,253
Free Cash Flow	1,465	-1,861	-3,326
Financing Cash Flow	-1,706	-559	+1,147
Cash and equivalents	14,096	11,506	-2,590

*Unit: million yen

Operating CF and free CF turned negative due to decreases in net income before taxes, etc. Investing CF also turned negative, as gain on sale of investment securities decreased. Deficits in financing CF shrank as a result of decreases in the amount paid as dividends and in purchase of treasury shares, etc. The cash position worsened.

(4) Topics

① The subsidiary in Vietnam began operation

Vietnam actively invests in infrastructure, the environment, and the manufacturing industry, and is becoming more industrialized by attracting foreign capitals. As such, the company established a subsidiary in Vietnam, which is expected to experience an influx of Japanese companies, and started its operation in January 2019.

The subsidiary engages in the sale of machinery, electronics and communication equipment, measuring instruments, tools, and other related materials, and handles installation work, engineering, and after-sales service. It also distributes, imports, and exports the aforementioned products.

The company plans to cultivate markets in Southeast Asia in cooperation with the company groups based in Thailand and Singapore.

② Regarding the purchase of treasury shares

The board of directors resolved to acquire treasury shares on May 10, 2019.

Period: May 13, 2019 to March 19, 2020

Number of shares to be acquired (upper limit): 400,000 shares (3.16% of the total number of issued shares)

Acquisition price (upper limit): 700 million yen

By May 31, 2019, 43,100 shares (54 million yen) had been acquired.

3. Fiscal Year March 2020 Earnings Forecasts

(1) Consolidated Earnings Forecasts

	FY 3/19	Ratio to sales	FY 3/20 Est.	Ratio to sales	YoY
Sales	157,145	100.0%	135,000	100.0%	-14.1%
Operating Income	2,118	1.3%	2,400	1.8%	+13.3%
Ordinary Income	2,418	1.5%	2,700	2.0%	+11.6%
Net Income	1,587	1.0%	1,650	1.2%	+3.9%

*Unit: million yen. The estimates were announced by the company.

Sales are estimated to decrease while profits are expected to increase

Sales are expected to be 135 billion yen, down 14.1% year on year, and operating income is projected to rise 13.3% year on year to 2.4 billion yen.

The dividend amount is to be unchanged from the previous term; 45 yen/share. The estimated payout ratio is 34.5%.

(2) Trend in each segment

Segment	FY 3/19	FY 3/20 Est.	YoY
Sales			
Power Plant	476.3	380.0	-20.2%
Chemicals and Energy Plant	536.8	330.0	-38.5%
Industrial Machinery	426.6	480.0	+12.5%
Advanced Materials and Measuring Instruments	15.1	20.0	+32.5%
Global Business	116.4	140.0	+20.3%
Total Sales	1,571.4	1,350.0	-14.1%
Profits in each segment			
Power Plant	14.0	17.5	+25.0%
Chemicals and Energy Plant	7.6	9.0	+18.4%
Industrial Machinery	13.6	10.0	-26.5%
Advanced Materials and Measuring Instruments	-1.7	0.5	-
Global Business	4.0	3.0	-25.0%
Total profit in all segments	37.6	40.0	+6.4%

*Unit: million yen. Sales to external clients

① Power Plant

Sales are expected to decrease, but profits are estimated to increase.

Coal-fired power generation is in an unfavorable environment, but the company will continue to focus on business negotiations regarding crime- and disaster-prevention equipment for nuclear power plants.

The company established the office in Tsuruga in April 2019. It is the first base in the Hokuriku area, and the company plans to increase received orders for nuclear power and thermal power generation projects from Kansai Electric Power Company and Hokuriku Electric Power Company by utilizing the company's experience.

②Chemicals and Energy Plant

Sales are expected to decrease but profits are estimated to increase

Although there are no expected large-scale transactions involving power generation facilities like in the previous term, profits are estimated to grow due to the performance of the subsidiary Shikishimakiki recovering.

③Industrial Machinery

Sales are expected to increase but profits are estimated to decline.

The company plans to take a wide range of small and medium-scale transactions. Some of the lithium-ion battery-related equipment, delivery of which was postponed, are expected to be delivered.

④Advanced Materials and Measuring Instruments

Sales are estimated to increase, and expect a turnaround to profitability.

The company will strengthen its measuring instruments business, such as gas concentration monitors for environmental preservation and safety equipment, etc. As the company expects the performance of the subsidiary Seika Digital Image to recover, it is estimated to move into the black.

⑤Global Business

While sales are projected to increase, profits are estimated to decrease.

The performance of European and U.S. subsidiaries remains steady. Sales from Tsurumi (Europe) GmbH marked a record high in the previous term, and the company is considering establishment of a new base.

The performance of Chinese subsidiary Seika Shanghai is also expected to recover.

(3) Efforts in the final fiscal year of the “Mid-term Management Plan CS2020”

This term is the final fiscal year of the “Mid-term Management Plan CS2020,” which is to be the first step for the long-term management vision.

Net Income	FY 3/18	FY 3/19	FY 3/20 Est.
Goal	2,200	2,400	2,700
Results and forecasts	1,650	1,580	1,650

*Unit: million yen.

Currently the goal has not been achieved due to extraordinary loss from overseas subsidiaries in the first year, and poor business performance from some of the company’s subsidiaries and the postponed delivery of equipment related to export negotiations with China in the second year. As for the subsidiaries with poor performance, the company has conducted reviews on business strategies and additional employment of human resources, and it is expected that the company will recover its performance after this term.

The business environment recognitions and business vision for each segment are as follows.

As the company believes it is time to solidify the second step of their long-term management vision, they will make every effort to do so as the whole company.

	Characteristics of business	Business vision
Power Plant	Although investments in establishing new coal-fired power plants are decreasing due to a trend toward a carbon-free society, the company expects consistent profitability from periodic inspections and constructions, etc.	<ul style="list-style-type: none"> * Focus on disaster-prevention and security of equipment for nuclear power plants. * Focus on equipment life extension for the existing thermal power generation plants. * Focus on environmentally-friendly small-sized hydropower plants in the field of renewable energy
Chemicals and Energy Plant	Investments for coping with aging problems of domestic equipment, equipment life extension, and manpower savings are growing.	* Provide solutions that meet the needs of customers by taking advantage of the company’s branches placed near customers.
Industrial Machinery		

	The company plans to provide sales and maintenance of specialized equipment to customers in a wide range of industrial fields such as electric vehicles, advanced materials, fiber, films, and food/beverage.	<ul style="list-style-type: none"> * Work on business negotiations regarding remodeling equipment for plant life extension. * Focus on expanding through business negotiations related to electric vehicles. * Focus on renewable energy, such as biomass power generation equipment
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The company plans strategic M&As for all of their segments as a growth strategy.

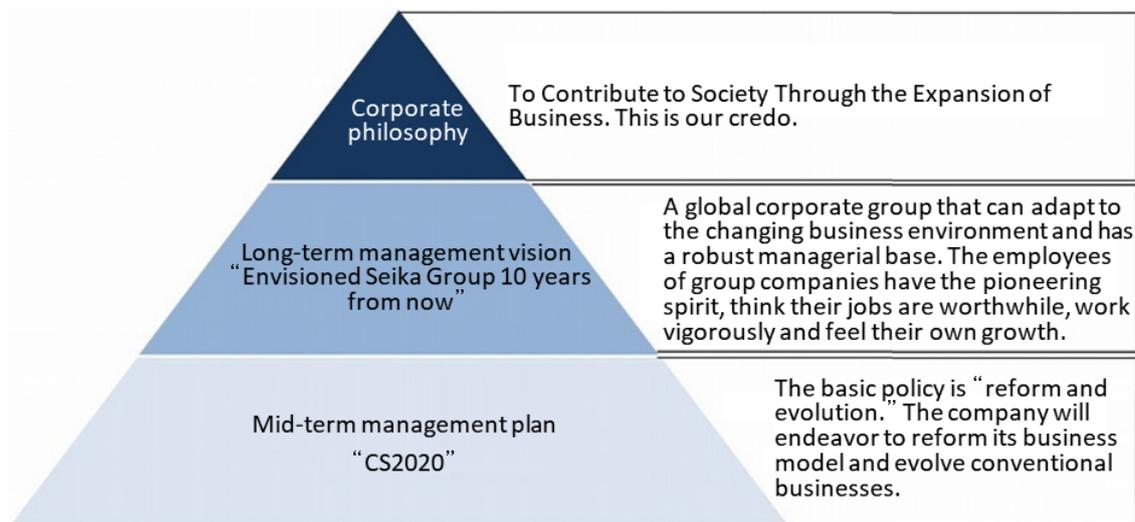
4. Conclusions

Although profit for this term, which is the final fiscal year of the “Mid-term Management Plan CS2020,” is expected to grow to be positive for the first time in three terms, unfortunately the company will not achieve the goal: “a net income of 2.7 billion yen.” However, recovery of subsidiaries with unfavorable performance has been experiencing steady progress, and we should pay attention to how much the company will approach the goal, “net income of 2.7 billion yen,” for the final fiscal year in order to take the second step in the long-term management vision. In addition, we would like to expect the company to recover its overseas sales ratio, which declined considerably in the previous term.

<Reference 1 : The Long-term Management Vision and Mid-term Management Plan>

(1) Outline of The Long-term Management Vision and Mid-term Management Plan

Seika Corporation formulated a long-term management vision for the year 2027 “Envisioned Seika Group 10 years from now” and a new three-year plan “Mid-term Management Plan CS2020,” which was started in April 2017.



(Taken from the website of the company)

① Long-term management vision: “Envisioned Seika Group 10 years from now”

*Objective

The year 2017 was a turning point, commemorating the 70th anniversary of the establishment of Seika Corporation, and the company set a long-term management vision “Envisioned Seika Group 10 years from now,” in addition to a mid-term management plan, which had been formulated every three years, in order to clarify the ideal path of the Seika group from the long-term viewpoint and realize drastic reform involving all employees.

*Overview

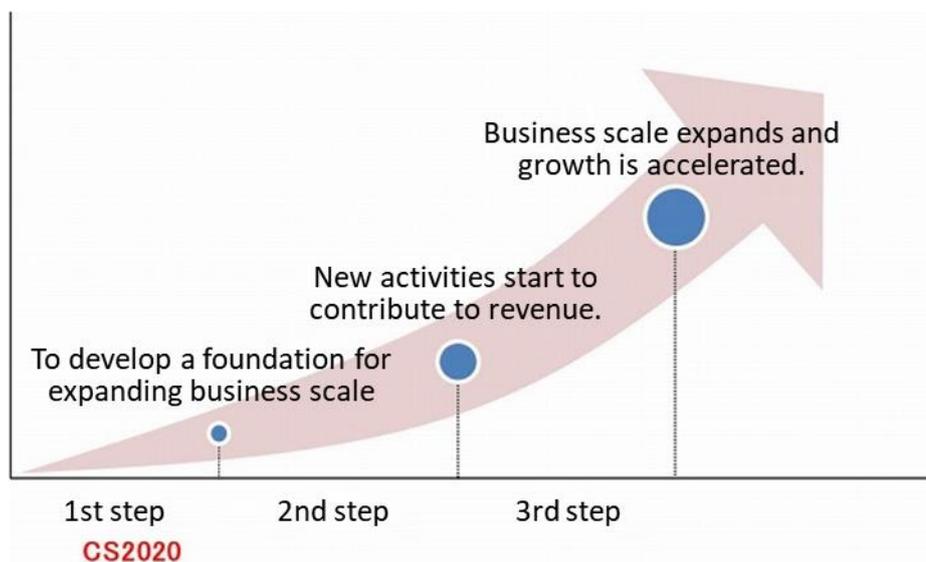
The following long-term policies have been set for actualizing the envisioned group.

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 their jobs are worthwhile, work vigorously and feel their own growth.
Long-term managerial policy	<ol style="list-style-type: none"> 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.

② Mid-term management plan CS2020

*Overview

Envisioning “Seika Group 10 years from now,” the company considers a period from April 2017 to March 2020 as the first step of the long-term management vision, and implement the “mid-term management plan CS2020.”



*Basic policy “reform and evolution”

The previous mid-term management plan CS2017’s basic policy “Diversification of business domains” is an important issue to be addressed for the Seika group, but in order to proceed with it, it is imperative that they reform its business model and evolve conventional businesses. Accordingly, “reform and evolution” has been set as the basic policy of the “mid-term management plan CS2020.”

*Group-wide strategies

① To establish new business models	To actively allocate human and financial resources to growing fields, in order to keep promoting the “diversification of business domains”
② To evolve existing businesses	To evolve existing businesses into staunch ones, with new ideas and an objective viewpoint
③ To streamline group management and accelerate global strategies	To promote the cooperation among group companies and localization, accelerate global business expansion, and strive to realize efficient group management
④ To develop personnel and enrich the working environment	To adapt to reform and evolution, develop personnel who can flourish inside and outside Japan, and enrich the attractive working environment where employees can work vigorously.

<Reference2: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	7 directors, including 2 outside ones
Auditors	4 directors, including 2 outside ones

◎Corporate Governance Report

Last update date: : June 26, 2019

< Basic Stance on Corporate Governance >

Our corporate philosophy is “To Contribute to Society Through the Expansion of Business.” We are committed to improving corporate value over the mid-to-long term while establishing a good relationship with all stakeholders. We believe that “soundness and transparency of management” and “prompt decision-making and action” are critical for achieving these goals, and we continually strive to strengthen corporate governance.

In addition, our company intends to strengthen its supervisory structure by appointing independent outside directors and independent outside corporate auditors.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
【Supplementary Principle 1-2-4】 Use of a platform for exercising voting rights, and the English translation of convocation notices	Our company will discuss whether or not to adopt the electronic exercise of voting rights. As for the English translation of convocation notices, we have been translating some convocation notices into English from the annual meeting of shareholders in 2017, and these translations are available in our website.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
【Principle 1-4 The so-called strategically held shares】	<p>“Policy for strategically held shares”</p> <p>Considering the details, scales, periods, etc. of transactions with business partners, we hold their shares as necessary, in order to maintain and strengthen the relationships with them.</p> <p>Our company's basic policy is to dispose of and reduce held shares that are deemed to have little strategic purpose. Every year, the Board of Directors decides whether there is an appropriate reason for holding each share. We investigate whether the benefits and risks associated with holding a share are commensurate with the cost of capital, and disclose our findings in the securities report.</p> <p>Our company sold a portion of its held shares during the term ended March 2019.</p> <p>“Policy on exercising voting rights regarding strategically held shares”</p> <p>Regarding the exercise of voting rights for shares held by our company, while respecting these companies’ management policy, we will confirm whether each proposal contributes to the improvement of our corporate value over the mid-to-long term, and make a comprehensive decision.</p>

BRIDGE REPORT



【 Principle 5-1 Policy for constructive dialogue with shareholders】

In order to improve our corporate value in the medium/long term through active dialogue with shareholders and institutional investors, the president explains the financial results and the progress of the mid-term management plan at a session for briefing financial results, which is held twice a year, and a general meeting of shareholders has sufficient time for questions and answers, to answer questions from shareholders carefully.

The sections of general affairs and personnel affairs deal with the applications for dialogue (interview) from individual shareholders, while the planning section replies to applications from corporate shareholders, including institutional ones.

This report is intended solely for information purposes, and is not intended as a solicitation for investment. The information and opinions contained within this report are provided by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However, we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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