



President Akihiko Sakurai

Seika Corporation (8061)



Company Information

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

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥1,663	12,320,650 shares		¥20,489 million	7.6%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥70.00	4.2%	¥208.30	8.0x	¥2,516.57	0.7x

*The share price is the closing price on June 8. Each number is based on the result in the term ended March 2022.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2019 (Actual)	157,145	2,118	2,418	1,587	125.50	45.00
March 2020 (Actual)	140,677	2,809	3,122	-1,262	-100.73	45.00
March 2021 (Actual)	71,933	2,581	2,906	2,721	221.87	45.00
March 2022 (Actual)	85,307	3,824	3,879	2,246	186.85	65.00
March 2023(Forecast)	95,000	3,700	3,700	2,500	208.30	70.00

*Unit: Million yen. Net income is profit attributable to owners of the parent. "The Accounting Standard for Revenue Recognition" has been used since the term ended March 2022, and was only applied for the sake of comparison in the term ended March 2021.

This report outlines the overview of Seika Corporation for the fiscal year ended March 2022 earnings results.

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Key Points

- The orders received in the term ended March 2022 were 134,261 million yen, down 1.5% year on year. Sales stood at 85,307 million yen, up 18.6% year on year. While the sales in the Power Plant and Industrial Machinery Businesses decreased, the total sales increased by the recording of the full-year performance of Seika Daiya Engine, which became a consolidated subsidiary in the previous term, in the Chemicals and Energy Plant Business, rising selling prices of textile materials for China contributing to a growth in sales in the Global Business, etc. and resulting in an increase in sales. Moreover, operating income reached 3,824 million yen, up 48.2% year on year, significantly exceeding the forecast of 2,850 million yen at the beginning of the term. Affiliated companies made a considerable contribution. Net income was 2,246 million yen, down 17.5% year on year.
- Regarding the earnings forecast for the term ending March 2023, the company expects a number of orders received of 170 billion yen, up 26.6% year on year, sales of 95 billion yen, up 11.4% year on year, an operating income of 3.7 billion yen, down 3.3% year on year, and a net income of 2.5 billion yen, up 11.3% year on year. The quantitative goals for the term ending March 2023, which is the last fiscal year of the mid-term business plan “Re-SEIKA 2023” on which the company has been working since April 2020, are deemed possible to achieve. The company plans to pay a dividend of 70 yen/share, up 5 yen/share from the term ended March 2022. The estimated payout ratio is 33.6%.
- The term ending March 2023 is the last fiscal year of the mid-term business plan “Re-SEIKA 2023” and it is projected that an operating income of 3.7 billion yen and a net income of 2.5 billion yen will be achieved. Meanwhile, expectations are held also regarding to challenges in new fields, such as the inspection of production equipment by drones and Seika Digital Image’s device for checking the quality of filling materials, in addition to growing contributions by consolidated subsidiaries (Seika Daiya Engine and Shikishima Kiki), for achieving the long-term vision “VIORB2030” announced on May 27, 2022.

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 and industrial machinery, 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 103 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.

While proceeding with the mid-term business plan “Re-SEIKA 2023” in the term ending March 2023, the company announced the long-term vision “VIORB2030” for the year 2030 on May 27, 2022.

1-2 Corporate Philosophy, etc.

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

Corporate Philosophy	“Our Philosophy is to Contribute to Society Through the Expansion of Business.”
Code of conduct	<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.

In order to promote unity and group management, Seika Corporation has also established the “Group Policy,” “Code of Conduct,” and “Group Mission,” and each company belonging to the Group and each employee working therein share these policies and link them to daily actions, aiming to improve the corporate value of the entire Group.

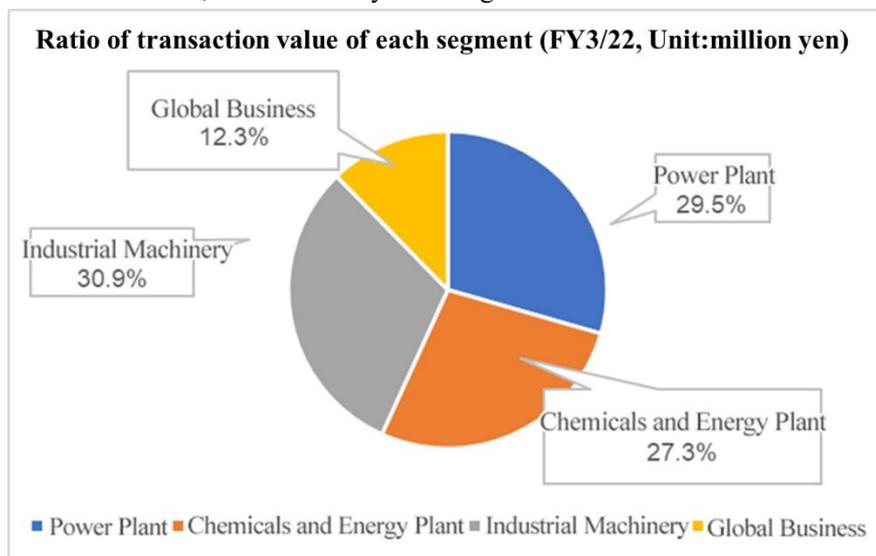
Group Policy	Strive for excellence and foster a sustainable society with corporate integrity.
Code of Conduct	Comply with laws and act with ethical standards to gain the trust of society
Group Mission	Create a fulfilling society together

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, and industrial machinery.

The segments to be reported are 4 segments, which are “Power Plant,” “Chemicals and Energy Plant,” “Industrial Machinery,” and “Global Business”, from the fiscal year ending March 2021.



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, Power Development Electric Power Company, and joint electric power companies. The company sells and provides after-sales services for industrial power generation equipment, such as boilers and gas turbines, as well as environmental conservation equipment for treating discharged water and exhaust gas.

The company also sells anti-crime and anti-disaster equipment, such as security equipment and fire extinguishing equipment for nuclear plants.

Furthermore, the company provides power-generation equipment for renewable energies such as small-sized water, wind, and biomass, and after-sales services.

The suppliers are mainly a group company of Mitsubishi Heavy Industries (MHI), and Seika Corporation possesses the distributorship for thermal power generation equipment of the company`s group.



Thermal power plant



Renewable energy

(taken from the company`s material)

② Chemicals and Energy Plant

Seika Corporation sells in-house power generation equipment, such as boilers and turbines, environmental conservation equipment for treating discharged water and exhaust gas, etc. and offers after-sales services to companies in oil refining, chemical, paper, and steel industries. As in the power plant business, the company procures these mainly from a group company of Mitsubishi Heavy Industries (MHI).

In addition, the company sells products that reduce environmental burdens, as well as equipment and fuel for biomass power generation.



(taken from the company’s material)

③ Industrial Machinery

Seika Corporation provides clients in a broad range of industries with textile equipment, food processing equipment, brewing equipment, various plant machinery, liquid crystal-related equipment, environment-related apparatus, uninterruptible power systems (UPS), printed circuit boards for electronic mea, etc. produced by Japanese or foreign manufacturers. The company also supplies measurement instruments that make full use of advanced technology, such as laser measurement instruments and pore size measurement equipment, to government agencies and research institutes.

In addition, the company sells lithium ion battery-related equipment and motor manufacturing equipment for electronic vehicles (EVs) in China.

The company’s subsidiary Nippon Daiya Valve manufactures and sells various industrial valves.



(taken from the company’s material)

④ Global Business

(Europe)

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

(North America)

As for the automotive field, the company sells Japanese-made industrial machinery in the PCB surface mount production line mainly to the automotive parts industry.

(Asia)

As for the industrial machinery field, the company sells Japanese-made machinery and equipment to companies within the automotive, textile, chemical industries, and also procures raw materials outside Japan and sells them to textile manufacturers.



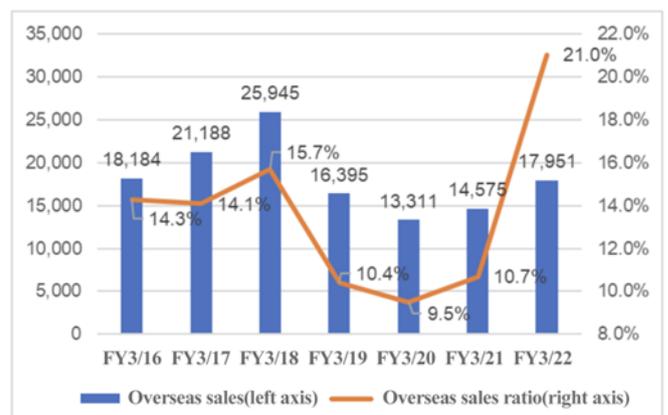
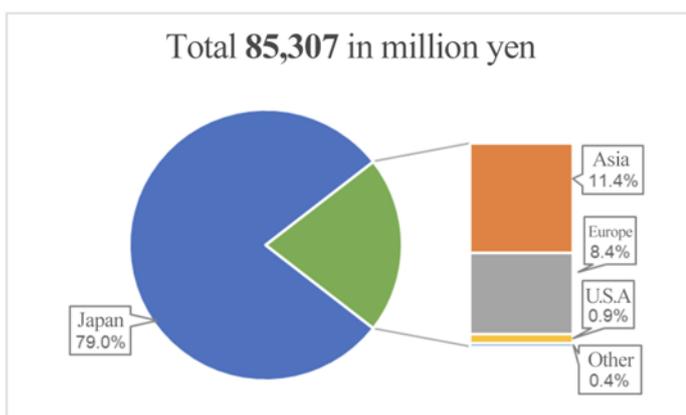
(taken from the company's material)

(2) Sales in each region

It looks like the ratio of overseas sales soared due to the change in the accounting standard from the term ended March 2022, but actually, it improved by about 0.7 points. Successively, the development of overseas markets where there is significant room for growth and expanding overseas sales ratio are challenges for the company.

Ratio of sales in each region in term ended March 2022

Variation in overseas sales



1-4 Characteristics and strengths

(1) Hands-on sales capability

The capability of hands-on sales nurtured in their more than 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

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 103 bases in Japan and overseas

Owing to M&A, they did not only expand their bases domestically, but also have been rapidly expanding the number of bases in Europe and Southeast Asia in anticipation of globalization. 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 for business, 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 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22
ROE (%)	7.9	5.9	5.6	-4.7	10.0	7.6
Net income margin (%)	1.42	1.00	1.01	-0.90	3.78	2.63
Total asset turnover (x)	1.45	1.53	1.71	1.58	0.76	0.84
Leverage (x)	3.82	3.83	3.24	3.32	3.50	3.42

Sales in the term ended March 2022 are the results of applying the “Accounting Standard for Revenue Recognition.”

According to the conventional accounting method, net income margin in the term ending March 2022 is estimated to 1.67%, but we would like to expect that profit margin will rise as leverage is relatively high.

If the target net income of 2.5 billion yen for the term ending March 2023, the last fiscal year of the mid-term business plan “Re-SEIKA 2023” is achieved, ROE will be 8% or more.

1-6 Efforts for ESG

<E: Environment>

The company holds up the basic philosophy of “making efforts to conserve and improve the Earth environment and contribute to the realization of a sustainable society as a creative partner bringing value to industry” as their environmental policy. 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 equipment for chemical and semiconductor factories. The amount of transaction in the term ended March 2022 were 13,345 (up 7.0% from the previous year) and 84.3 billion yen (down 4.9% from the previous year), 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.

Environment (Expansion of green-innovation products)

Result for orders received for green-innovation products in the fiscal year ended March 31, 2021	Number of Transaction	Amount of Transaction value (In billion yen)
Energy-saving, resource-saving, high efficiency products	11,931	77.4
Pollution-preventing products	992	6.0
Recycled/Reused products	422	0.9
Total	13,345	84.3

(taken from the company's material)

<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 (Casual day at the same time)
- To promote the use of paid holidays
- The company bears the expense for marker tumor in a health checkup
- The company bears the cost of influenza vaccinations

"Personnel development"

- Training at each level
- Overseas training system

<G: Governance>

In accordance with the Corporate Governance Code revised in November 2021, initiatives for all subjects are disclosed on the company's website.

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

The effectiveness of the board of directors in the term ended March 2022 corresponds to the Corporate Governance Code, and the Nomination Examination Committee and the Remuneration Examination Committee, which are composed of outside directors and outside auditors, were established under the board of directors as an arbitrary system.

In addition, the company translated some convocation notices into English, produced the English versions of reference material for briefing financial results and fact books, and has adopted a platform for electronic exercise of voting rights.

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

1-7 Shareholder return

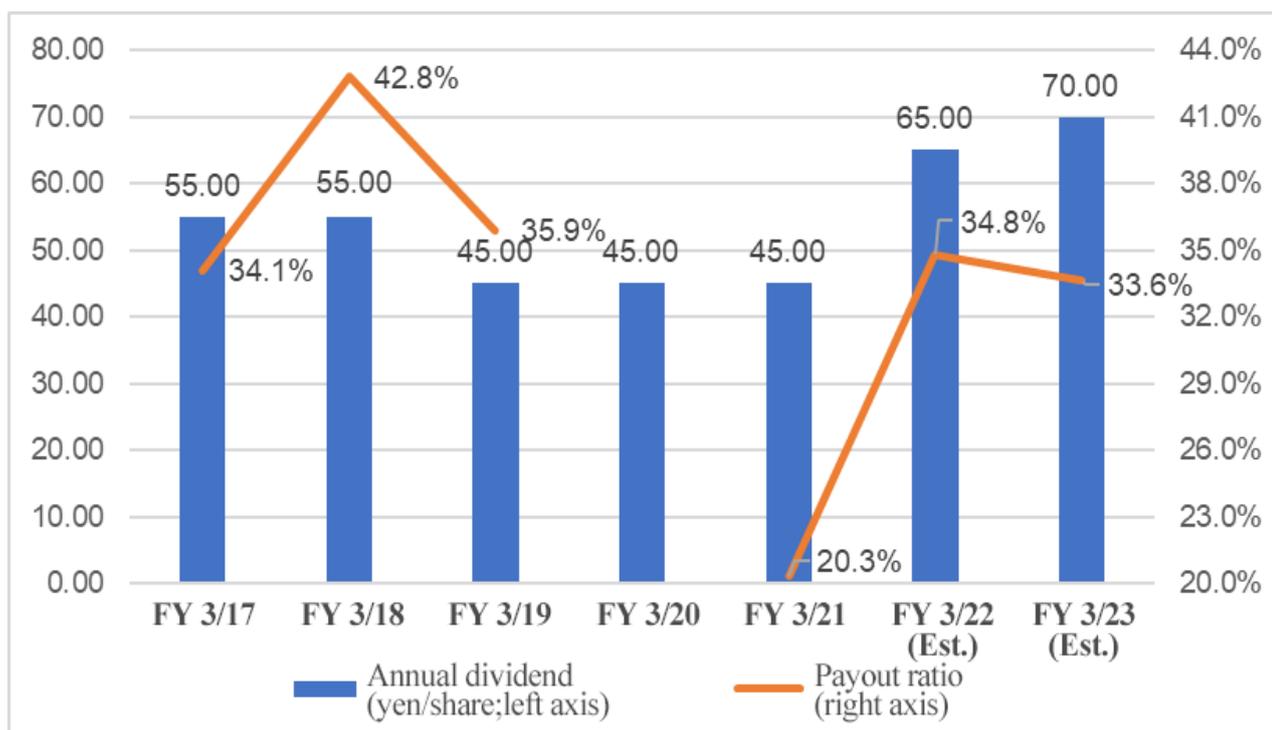
The primary managerial mission of the company is to return profit to shareholders, and its basic policy is stable dividend payment.

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 2023, the company plans to pay an interim dividend of 35 yen/share and a term-end dividend of 35 yen/share, that is, a total of 70 yen/share, and the estimated payout ratio is 33.6%.

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

BRIDGE REPORT



2. Fiscal Year Ended March 2022 Earnings Results

(1) Consolidated Business Results

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY
Orders	78,843	109.6%	83,137	97.5%	+5.4%
Orders Backlog	60,926	84.7%	58,756	68.9%	-3.6%
Transaction Volume	136,273	189.4%	134,261	157.4%	-1.5%
Sales	71,933	100.0%	85,307	100.0%	+18.6%
Gross profit	14,672	20.4%	18,026	21.1%	+22.9%
SG&A	12,091	16.8%	14,202	16.6%	+17.5%
Operating Income	2,581	3.6%	3,824	4.5%	+48.2%
Ordinary Income	2,906	4.0%	3,879	4.5%	+33.5%
Net Income	2,721	3.8%	2,246	2.6%	-17.5%

*Orders received and order backlogs are before application of accounting standards. Transaction amount is the sales amount under the previous standard.

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

Sales increased and profit considerably increased.

The orders received in the term ended March 2022 were 134,261 million yen, down 1.5% year on year. Sales stood at 85,307 million yen, up 18.6% year on year. While the sales in the Power Plant and Industrial Machinery Businesses decreased, the total sales increased by the recording of the full-year performance of Seika Daiya Engine, which became a consolidated subsidiary in October of the previous term, in the Chemicals and Energy Plant Business, rising selling prices of textile materials for China contributing to a growth in sales in the Global Business, etc. and resulting in an increase in sales. Moreover, operating income reached 3,824 million yen, up 48.2% year on year, significantly exceeding the forecast of 2,850 million yen at the beginning of the term. Affiliated companies made a considerable contribution. Net income was 2,246 million yen, down 17.5% year on year.

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(2) Overview of business performance in each segment

◎Sales and Profit

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY
Sales					
Power Plant	12,156	16.9%	11,363	13.3%	-6.5%
Chemicals and Energy Plant	11,100	15.4%	22,261	26.1%	100.5%
Industrial Machinery	37,067	51.5%	35,191	41.3%	-5.1%
Global Business	11,608	16.1%	16,490	19.3%	42.1%
Total Sales	71,933	100.0%	85,307	100.0%	18.6%
Profits in each segment					
Power Plant	1,325	1.8%	1,192	1.4%	-10.0%
Chemicals and Energy Plant	84	0.1%	745	0.9%	786.9%
Industrial Machinery	1,179	1.6%	1,143	1.3%	-3.1%
Global Business	-7	-	733	0.9%	-
Total profit in all segments	2,581	3.6%	3,815	4.5%	47.8%

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

① Power Plant

Sales decreased while profit was unchanged from the previous term.

Although large-scale business negotiations concerning safety-improving works, etc. for power plants in the Tsuruga District were recorded in sales, delays in the regular repair of power plant facilities, facility upgrades, etc. in the thermal plant field led to a decrease in sales. Profit was almost unchanged from the previous term.

② Chemicals and Energy Plant

Sales and profit considerably increased.

Sales significantly grew owing to the contribution of Shikishima Kiki's performance in addition to the recording of the full-year performance of Seika Daiya Engine, which deals with engines for ships and was turned into a consolidated subsidiary in October of the previous term (performance of 3 months was recorded in the previous term). Profit considerably grew in step with the increase in sales.

③ Industrial Machinery

Sales decreased while profit was unchanged from the previous term.

Despite the recording of large-scale business negotiations concerning new biomass-related equipment for beverage manufacturers in sales, sales of industrial machinery, etc. for textile and engineering companies in Japan fell, resulting in a decrease in sales. The profit of this segment slightly dropped in spite of Nippon Daiya Valve's steady performance due to expenses in some transactions with China.

④ Global Business

Sales increased and profit turned positive.

Sales grew thanks to the contribution of the rise selling prices of textile materials in China as well as sales of equipment for treating discharged water for petrochemical companies of SEIKA (SHANGHAI) CO., LTD. Profit turned positive, also owing to the favorable performance of the Tsurumi (Europe) GmbH group, which mainly handles pumps used in construction works.

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**(3) Financial standing****◎Main BS**

	March 2021	March 2022		March 2021	March 2022
Current Assets	81,371	89,746	Current liabilities	64,536	70,409
Cash	15,763	17,334	Payables	32,730	31,602
Receivables	36,159	36,029	ST Interest-Bearing Liabilities	7,565	5,506
Inventories	7,636	7,007	Advance received	21,913	29,354
Advance payment	20,639	28,551	Fixed Liabilities	3,032	3,354
Noncurrent Assets	16,087	15,119	LT Interest-Bearing Liabilities	53	27
Tangible Assets	2,816	2,743	Total Liabilities	67,568	73,764
Intangible Assets	834	793	Net Assets	29,889	31,101
Investment, Others	12,436	11,582	Retained earnings	17,907	18,734
Total assets	97,458	104,865	Total liabilities and net assets	97,458	104,865

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

Owing to the increase in advance payments, etc., total assets increased 7,407 million yen from the end of the previous term to 104,865 million yen. Although interest-bearing debt and trade payables are decreased, advances received increased, increasing total liabilities by 6,196 million yen from the end of the previous term to 73,764 million yen.

Net assets grew 1,212 million yen from the end of the previous term to 31,101 million yen due to the increase in retained earnings, etc. Capital-to-asset ratio standing at 28.7%.

3. Fiscal Year Ending March 2023 Earnings Forecasts**◎Consolidated Earnings Forecasts**

	FY 3/22	Ratio to sales	FY 3/23 Est.	Ratio to sales	YoY
Transaction Volume	134,261	157.4%	170,000	178.9%	26.6%
Sales	85,307	100.0%	95,000	100.0%	11.4%
Operating Income	3,824	4.5%	3,700	3.9%	-3.3%
Ordinary Income	3,879	4.5%	3,700	3.9%	-4.6%
Net Income	2,246	2.6%	2,500	2.6%	11.3%

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

Increase in sales and decrease in profit forecast

Regarding the earnings forecast for the term ending March 2023, the company expects a number of orders received of 170 billion yen, up 26.6% year on year, sales of 95 billion yen, up 11.4% year on year, an operating income of 3.7 billion yen, down 3.3% year on year, and a net income of 2.5 billion yen, up 11.3% year on year. The company plans to pay a dividend of 70 yen/share, up 5 yen/share from the term ended March 2022. The estimated payout ratio is 33.6%.

4. Conclusions (Long-Term Vision “VIORB2030”)

The vision was formulated in order to contribute to the realization of a prosperous society by implementing the purpose of “supporting sustainable energy creation and industrial activities in harmony with the earth environment.”

◎ Purpose of the company

As a corporate group centered on trading companies strong in the energy and industrial infrastructure fields, Seika Group would like to support sustainable energy creation and industrial activities in harmony with the earth’s environment.

◎ Priority-business domains in terms of business

Decarbonization: Quickly develop insight into users' needs related to decarbonization and technological innovation to commercialize solutions

Energy and Resources conservation: Expanding support of permanent needs in the industrial circles for energy and resources conservation

Circular economy: Accelerate progress and actions towards a circular economy

DX: View digital transformation from a broad perspective to seek business opportunities

◎ Key management measures

① Improve cash management mechanisms to maximize funding capacity

② Invest around 10 billion yen in businesses to deepen existing businesses and expand business domains

③ Establish 1 billion yen fund to support businesses and activities working to achieve the SDGs

④ Streamline the organization and increase productivity to introduce human resources in priority domains

⑤ Clarify strengths based on the unique characteristics of individual group companies and concentrate company resources

◎ Index for gauging achievements

120 billion yen in green innovation-related orders received in fiscal 2030.

◎ Consolidated net income goal

4 billion yen in consolidated net income as the goal to be reached in fiscal 2030

5. Topics

◎ Drone Business

Expanding inspection services by drones equipped with ultrasonic examination devices—Initiative for saving energy and resources
Utilizing the ultrasonic examination function allows for the reduction of time and costs for the inspection of tanks, chimneys, boilers, etc. as it is unnecessary to set up scaffolding.

The service was launched in March 2021, with both demand and expectations on a rise, steadily achieving results.

The Seika Group invested in and concluded an exclusive representative contract in Japan with Terra Drone. (March 23, 2022)

The initiative has been highly regarded at worksites related to power, steel, petroleum, chemistry, etc. and the company believes that it will contribute to the “Smart Industrial Safety” of plants and manufacturing facilities.

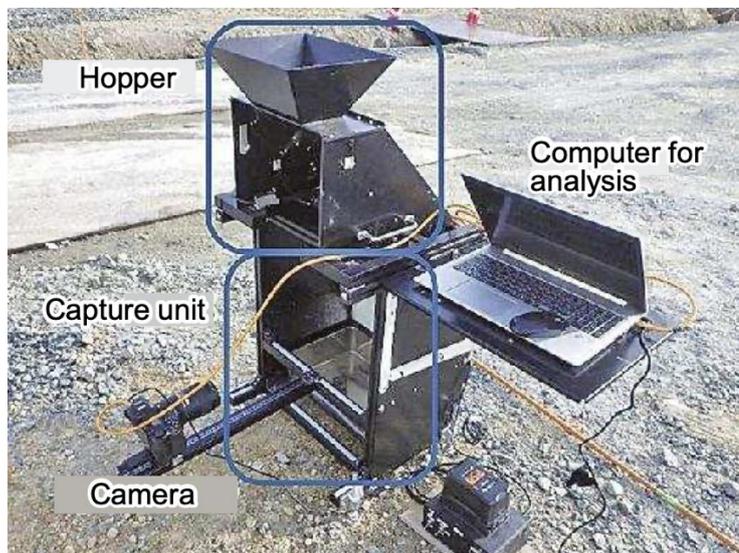


(taken from the company's material)

◎ Embankment material quality test system

Seika Digital Image (100% subsidiary of the company) developed an embankment material quality test system utilizing image processing technology in cooperation with Nishimatsu Construction Co., Ltd., which allows for efficient on-site management of the quality of earth and sand used in general civil works. (May 12, 2022)

Conventionally, performing an on-site granularity examination required setting up a laboratory and over 2 days of examination time, leading to issues such as the need for large-scale labor, expenses and human work. Introducing this device enables a significant reduction of time required for measuring granulation to tens of minutes (per one sample) and also makes it possible to measure multiple types of earth and sand in one day.



(taken from the company's material)

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	8 directors, including 3 outside ones
Auditors	4 directors, including 2 outside ones

At the annual general meeting of shareholders held in June 2020, the number of independent outside directors increased by one (to a total of three), securing more than one-third of the board of directors. The company is working to strengthen its governance.

◎Corporate Governance Report

Last update date: November 5, 2021

< 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.

<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 2021.</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>
【Principle 5-1 Policy for constructive dialogue with shareholders】	<p>In order to improve our corporate value in the mid-to-long term through active dialogue with shareholders and institutional investors, the president explains the financial results and the progress of the mid-term business 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.</p> <p>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.</p>

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