

Financial Statements Briefing Session for 2022/03 Term

(From April 1, 2021 to March 31, 2022)



SEIKOH GIKEN

May 17, 2022

- I . Overview of Consolidated Financial Results for 2022/03 Term
- II . Summary of Medium-term Management Plan "Master Plan 2016"
- III . Medium-term Management Plan "Master Plan 2022"
- IV . Forecast of Consolidated Financial Results for 2023/03 Term

- I . Overview of Consolidated Financial Results for 2022/03 Term
- II . Summary of Medium-term Management Plan "Master Plan 2016"
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- IV . Forecast of Consolidated Financial Results for 2023/03 Term

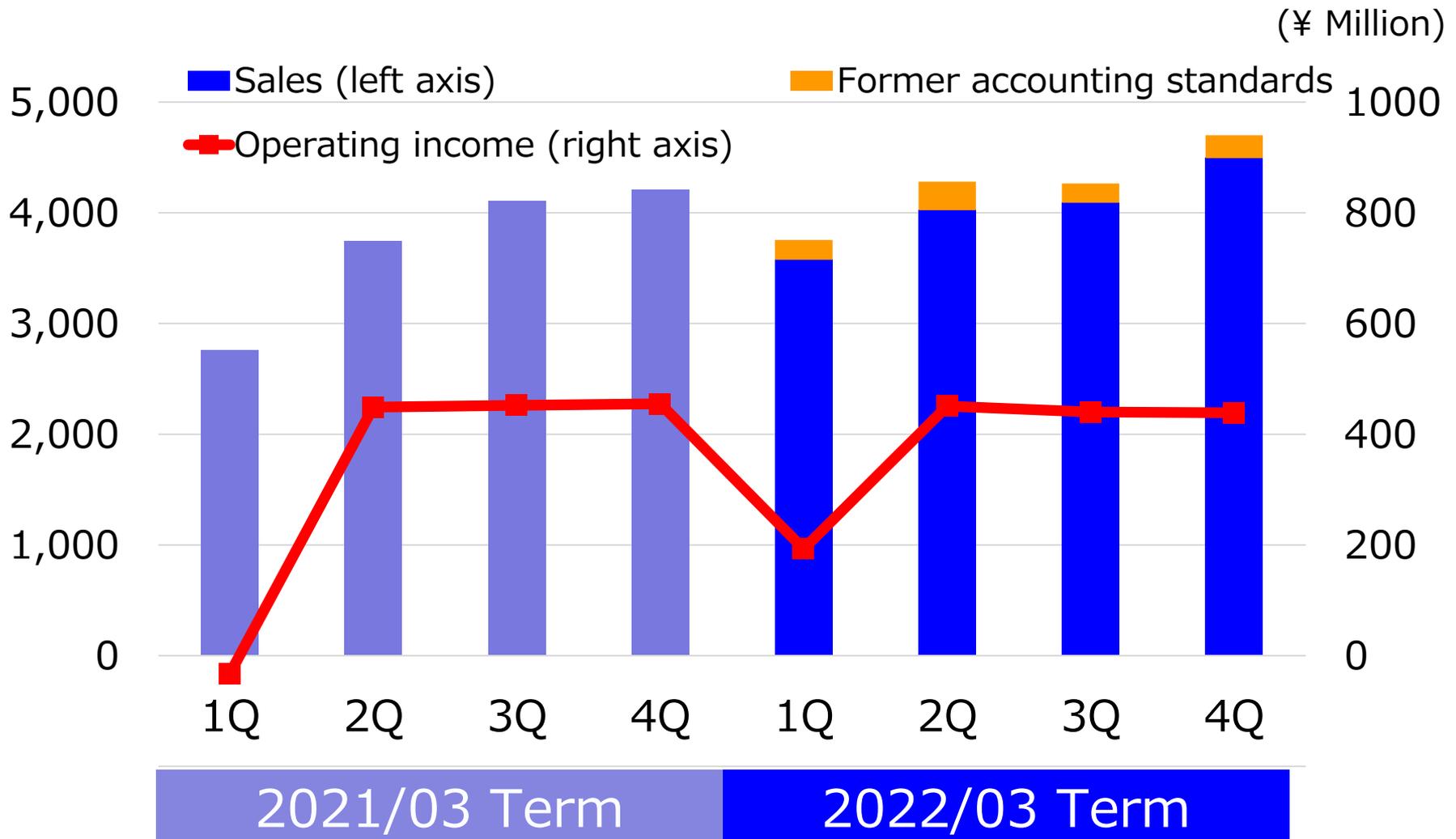
Consolidated Financial Statements for 2022/03 Term Highlights (Part1)

(¥ Million)	2022/03 Term	2021/03 Term	Year-on-year percentage Change	Estimated value of business results (May14, 2021)
Sales Amount	16,188	14,818	9.3%	16,890
Precision Machinery	8,478	8,675	-2.3%	9,100
Fiber Optic Components & Instrumental	7,710	6,142	25.5%	7,790
Operating Profit	1,524	1,324	15.1%	1,550
Ordinary Profit	1,641	1,431	14.6%	1,640
Net Profit	1,150	983	16.9%	1,100

Quarterly transition in consolidated earnings

■ Net sales are increasing

■ Operating income remains level



Consolidated Financial Statements for 2022/03 Term Highlights (Part2)

(¥ Million)	2022/03 Term	2021/03 Term	Year-on-year percentage change
Orders Received	17,241	15,269	+12.9%
Orders Backlog	4,026	2,974	+ 35.4%
Equipment Investment	1,476	869	+69.8%
Depreciation Expenses	1,260	1,542	-18.2%
R & D Expenses	437	403	+8.4%

Main products and technologies of the Precision Machinery Division

◆ Molded products

Automotive insert molded products
 Metal press molded products
 Resin injection molded products, etc.



◆ Molds

Molds for data-archive discs
 Other precision molds



◆ Other

Precision processed metal parts, etc.



Business Results by Segment/ Precision Machinery

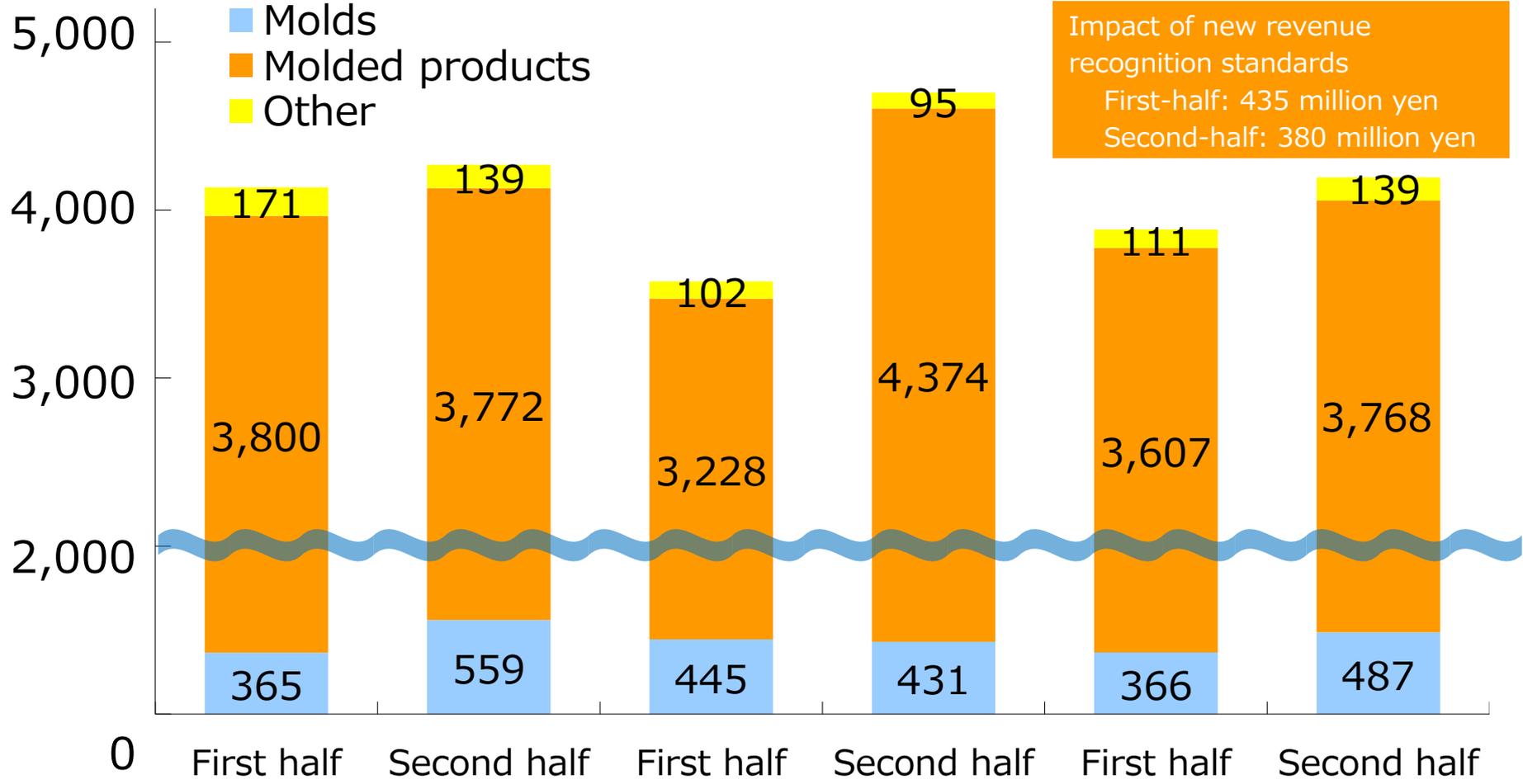
(¥ Million)	2022/03 Term	2021/03 Term	Year-on-year percentage change
Sales Amount	8,478	8,675	-2.3%
Operating Expenses	8,097	8,023	+0.9%
Operating Profit	381	652	-41.5%
Operating Profit Ratio	4.5%	7.5%	—

Sales Amounts by Product / Precision Machinery

¥ Million

- Molds
- Molded products
- Other

Impact of new revenue recognition standards
 First-half: 435 million yen
 Second-half: 380 million yen

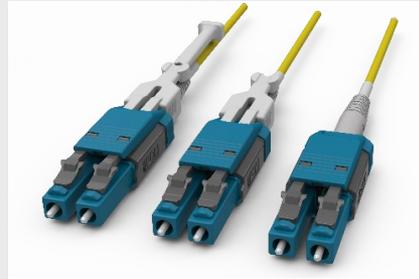


2020/03 Term
2021/03 Term
2022/03 Term

Main products and technologies of the Optical Products Division

◆ Optical communication network components

Optical connectors
Ferrules, etc.

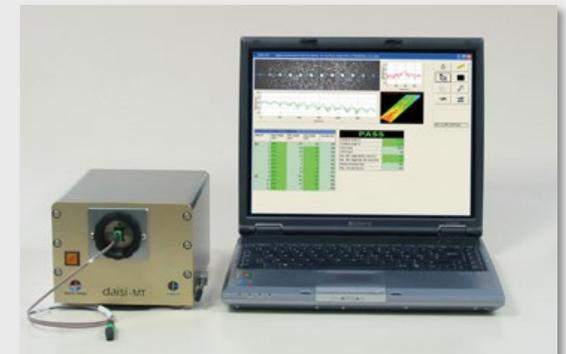


◆ Manufacturing machinery and equipment

Optical connector polishing machines



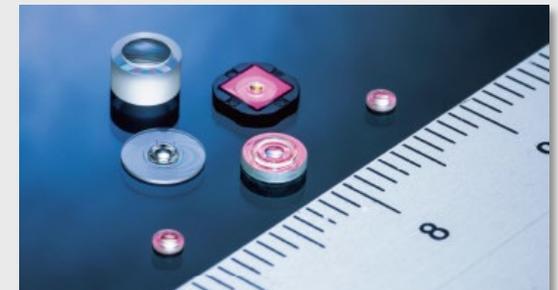
Inspection equipment for optical connector end faces



Optical electric field sensors, etc.

◆ Other

Micro lenses, etc.



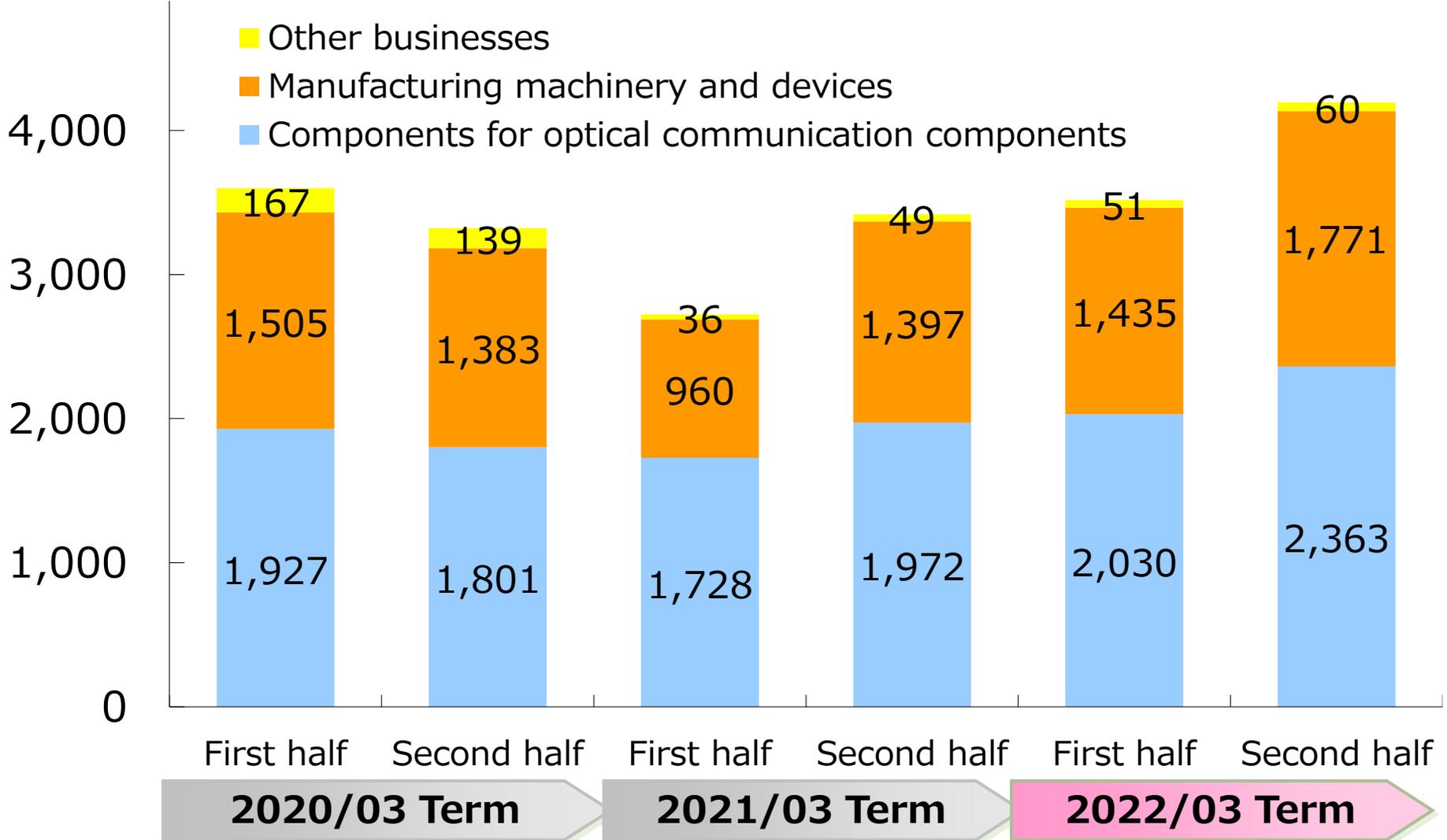
Business Results by Segment/ Fiber Optic Components & Instrumental

(¥ Million)	2022/03 Term	2021/03 Term	Year-on-year percentage change
Sales Amount	7,710	6,142	+25.5%
Operating Expenses	6,567	5,470	+20.1%
Operating Profit	1,143	672	+70.0%
Operating Profit Ratio	14.8%	10.9%	—

Sales Amounts by Product / Fiber Optic Components & Instrumental

¥ Million

- Other businesses
- Manufacturing machinery and devices
- Components for optical communication components



Consolidated Balance Sheet

(¥ Million)

[Assets]	2022/03 Term	2021/03 Term	Amount (Increase/Decrease)
Current Assets	20,635	19,026	+ 1,609
Fixed Assets	9,703	9,939	(236)
Total Assets	30,339	28,966	+ 1,372
[Liabilities and Net Assets]			
Current Liabilities	3,367	3,375	(8)
Fixed Liabilities	1,477	1,376	+ 100
Net Assets	25,494	24,213	+ 1,280
Total Liabilities/ Net Assets	30,339	28,966	+ 1,372

Consolidated Cash Flow Statement

(¥ Million)	2022/03 Term	2021/03 Term
CF - Operating	1,868	2,374
CF - Investing	(2,328)	(626)
CF- Financing	(429)	(411)
Increase in Cash	(678)	1,327
Balance at the beginning of term	4,877	3,550
Balance at the end of term	4,198	4,877



II. Summary of Medium-term Management Plan

"Master Plan 2016"

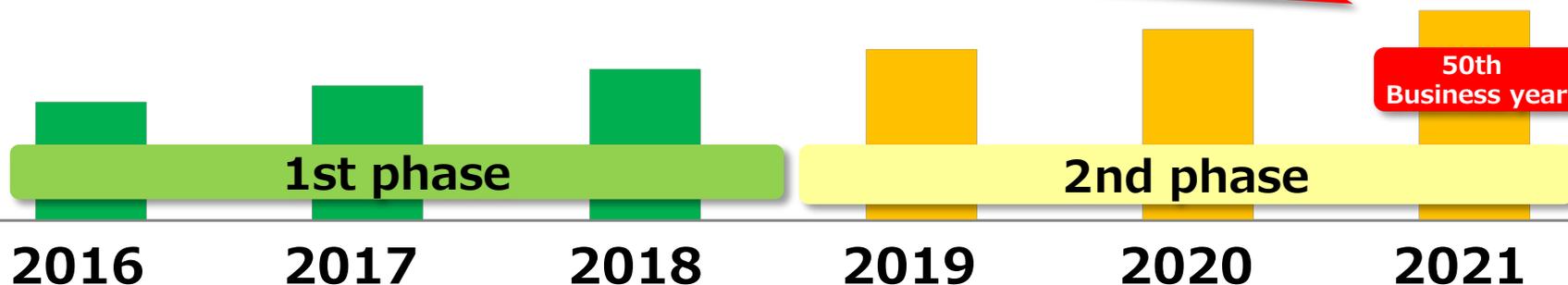
(Fiscal years 2016 to 2021)

Medium-term Management Plan - Master Plan 2016

Management indicators and fundamental strategies

Consolidated sales: ¥25 billion

Consolidated operating income: More than ¥2.5 billion



1. Strengthen earnings of existing businesses

- Strengthen sales capabilities
- Raise price-competitive strength
- Accelerate new product development and new technology development

2. Optimize business portfolio

- Create next generation businesses
- Streamline loss-making businesses

3. Strengthen business foundations

- Strengthen corporate functions
- Implement growth promoting investments
- Strengthen quality control and patent strategy

Fundamental strategies

Achievements and issues

Plan	Action	Time of implementation
Strengthening the earning power of existing businesses		
Strengthen sales capability	Integration of DATA PIXEL (France) as consolidated subsidiary Expansion of product lineup	April 2017
	Establishment of Zhejiang Seikoh OFC Strengthening of approaches to Chinese data center related companies	July 2018
	Establishment of Hangzhou Giken OFC Strengthening of approaches to Chinese cable television related companies	October 2021
Reinforce price competitiveness	Head Office and Fuji Electronics Industries Launch of manufacturing automation project Start of internal production of automated machinery	June 2017
	Fuji Electronics Industries Chitose Factory Extension of production space and expansion of manufacturing capacity	June 2020
	Seiko Giken Dalian Acquisition of new factory Increased production of ferrules and foothold to expansion into different areas	June 2021
	Seikoh Giken Hangzhou Leasing of factory in Lin'an District of Hangzhou Response to increase of orders of optical connectors	December 2021
Accelerating development of new products and new technologies	Development of optical electric field sensors accurately measuring 28 GHz band waves for 5G	July 2019
	Release of "Intelli - Cross PRO" new optical connectors for data centers	October 2020
	Release of "GNSS Optical Transmission Unit" for transmitting GPS waves over optical fiber	November 2021
	Commencement of mass production of "microfluidic devices for medical use" that can be applied to PCR testing	December 2021

Plan

Achievements and issues

Optimize business portfolio

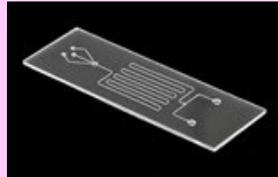
Create next generation businesses

Rationalize unprofitable businesses

Problem businesses



Lenses



Molded resin products for medical use

Growth

Growth driving businesses



Optical communications products

Growth

Cash



Medical equipment / bio sciences



Car electronics

Next generation businesses



Optical product manufacturing machinery



Automotive molded products

Income generator business

- Sales of optical communication components increased, growing into a growth driver business
- Sales of precision press molded products for smartphones decreased due to COVID-19, lowering the contribution to earnings
- Molded resin products for medical use are expected to become a new pillar of molded products

Precision press molded products



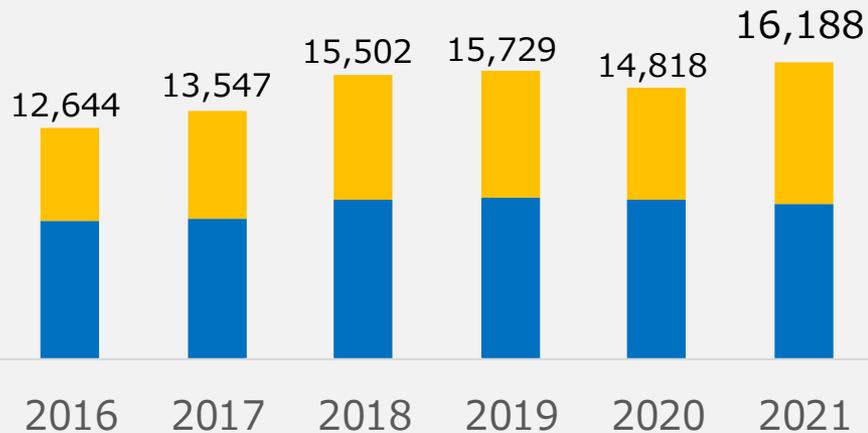
Plan	Action	Time of implementation
Strengthen business foundations		
Strengthen corporate functions	Transition to a company with an audit and supervisory committee, strengthening functions of the Board of Directors	June 2016
	Start of Board of Directors effectiveness evaluation	April 2017
	Commencement of "flexible work schedule" work style reform Implementation of designated overtime-free days, shift work, etc.	May 2017
	Issuance of 5th share acquisition rights to employees Linking of improvement of performance and increased share price	June 2017
	Raising of mandatory retirement age from 60 to 62	April 2018
	Introduction of an executive officer system Promotion of accelerated decision-making	April 2018
	Introduction of remuneration system for Directors (and other officers) linked to share price, and remuneration system for management executives linked to performance for a single fiscal year	June 2018
	Update of head office BCP Strengthening of business continuity in the event of a large-scale natural disaster	December 2018
	Increase of the number of outside Directors by one Four of nine Directors are outside Directors	June 2019

Level of achievement of management targets

<Management targets> Consolidated net sales: 25 billion yen
Consolidated operating income: 2.5 billion yen (minimum)

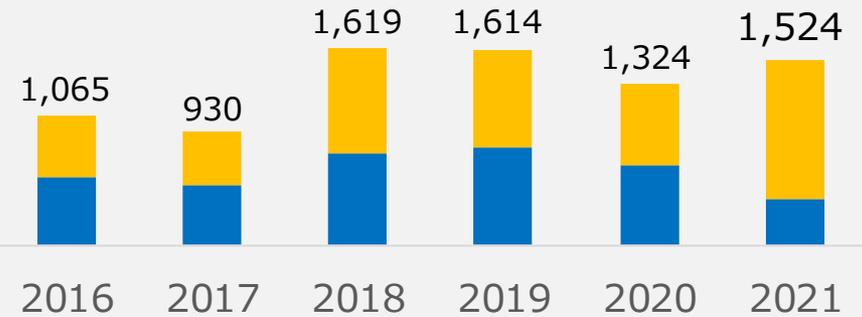
■ Precision Machinery Business ■ Optical Products Business (¥ Million)

■ Consolidated sales



■ Consolidated operating income

Operating income margin: 9.4%



- Targets not reached for net sales or operating income
- Slowed due to deterioration of external environment such as US-China trade friction and COVID-19
- Delays in release of new products and development of new customers
- Major M&A deals not concluded

Issue carried over to next medium-term management plan

Turning "changes in the environment" into "opportunities for growth" to become a group balancing business growth and contributions to society



Ⅲ. Medium-term Management Plan

"Master Plan 2022"

(Fiscal years 2022 to 2026)

Corporate vision targeted by the Group

"A company needed by society"

Contributing to **supporting and sustaining** society

- Creation of a resource recycling society
- Creation of a decarbonized society



Contributing to the **progress and development** of society

- Creation of a rich and comfortable society
- Creation of a safe and secure society



To truly become a "company needed by society"

Change & Growth

Perceive "changes in the environment"

as "opportunities for growth"

Balance maximization of economic value
and optimization of social value

Fundamental Strategies of the Master Plan 2022

Maximization of economic value: business growth

Rejuvenating contact points with customers

- Improving volume and quality of contacts with customers
- Increased share of deals with existing customers
- Development of new customers

Accelerating development of new products and new technologies

- New product development based on market information
- Strengthened management of development times
- Strategic acquisition of patents

Improving manufacturing capabilities

- Improved production efficiency through AI, automation, etc.
- Stable procurement of good, low-cost materials
- Maintaining quality that meets customer demands

Optimization of social value: sustainability

Reinforcing the management base

- Establishing an environment in which diverse personnel can vibrantly work
- Adoption of cloud, paperless business practices, DX
- Contribution to decarbonization and creation of a resource recycling society

Medium-term Management Plan
"Master Plan 2022"

Medium-term growth
strategies for maximization
of economic value

Base technologies and areas of contribution

Maximization of economic value

Information and communication



Automobiles



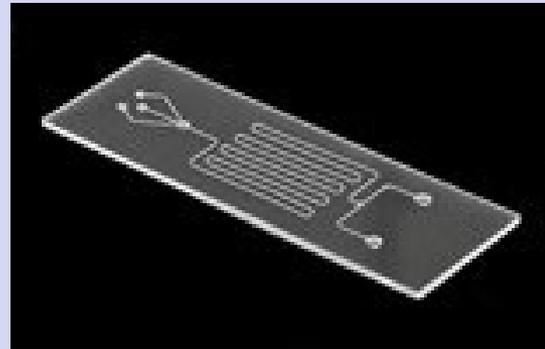
Medical and biotechnology



Deployment of superior base technologies to growth markets



Precision processing technology



Precision molding technology



Optical technology

Medium-term growth strategies: Precision Machinery Business

Maximization of
economic value

Transforming from a parts business to
a high added value device business including finished goods

■ Sales strategy (rejuvenating contact points with customers)

In-vehicle

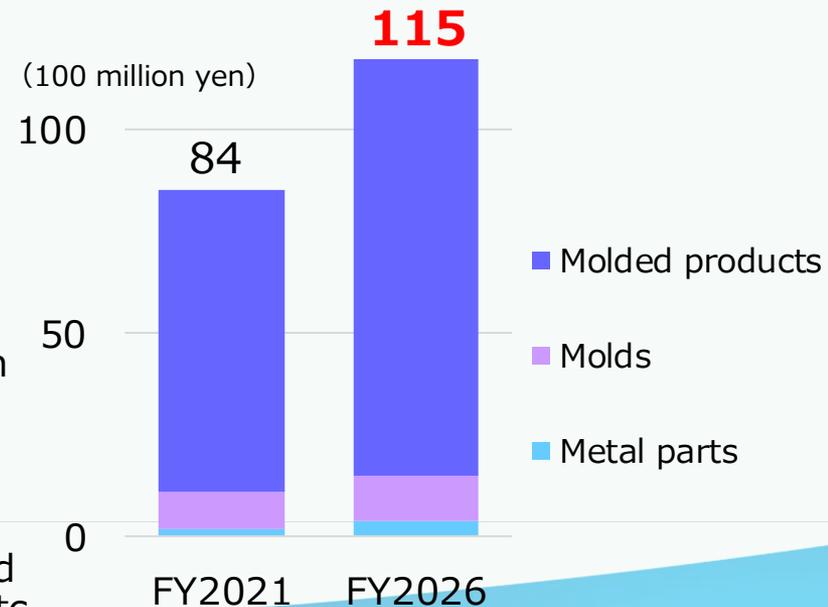
- Acquisition of new business for EVs, PHVs and FCVs
- Expansion of sales of modular products incorporating electronic components
- Business development for pressed and insert-molded products
- Development of overseas markets such as China and India
- Expansion of contact points with new customers such as exhibitions

Medical

- Marketing to medical and biotechnology markets
- Development of sales channels including trading companies and agents
- Development of new customers for precision resin molded products

Information and communication

- Development of new applications for press molded products (dome contacts) for wearable devices, etc.



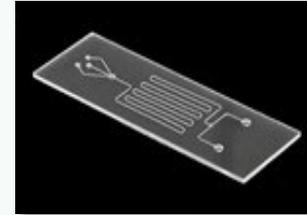
Medium-term growth strategies: Precision Machinery Business

Maximization of
economic value

Transforming from a parts business to
a high added value device business including finished goods

■ Development strategy (Accelerating development of new products and new technologies)

- Increase of development speed of molded products for EVs, PHVs and FCVs
- Development of mass production of new products for the medical and biotechnology markets
- Development of molds with an environmentally friendly structure
- Strengthening of technical partnerships with other companies, universities and public research institutes



Microfluidic devices



Development of electric components for EVs



Development of precision molds

■ Production strategy (Improving manufacturing capabilities)

- Acceleration of internal production of automated machinery in the molding-assembly-inspection process
- Strengthening of production capacity through expansion of factory space
- Stabilization of production through the use of multiple suppliers and outsourcing companies
- Consideration of mass production of automotive parts in the subsidiary in Dalian, China



Automotive part molding factory
(Chitose Factory)



Precision processing technology

Medium-term growth strategies:

Optical Products Business

Maximization of economic value

Launch of new highly functional products and strengthening of production capacity through factory expansion and automation

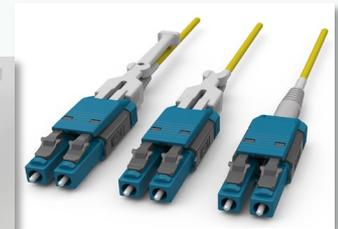
■ Sales strategy (rejuvenating contact points with customers)

Optical Products

- Development of major data center-related customers
- Development of new Chinese cable television-related customers
(Utilization of Hangzhou Giken OFC established last year)
- Strengthening of approaches to European and US areas



Optical connector polishing machines



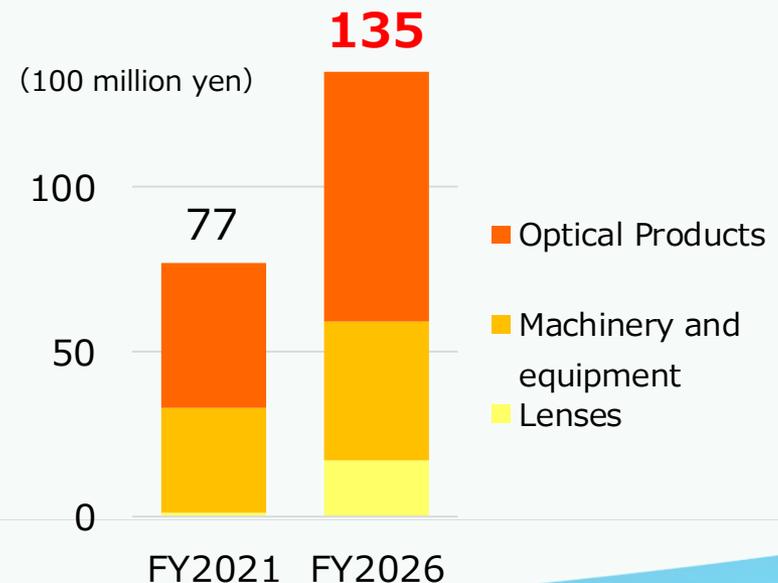
Intelli-Cross Pro new optical connectors

Equipment Business

- Increasing sales of polishing machines supporting MT
- Strengthening of technical support for overseas customers
- Expansion of sales of optical transmission equipment and optical electric field sensors for uses such as airport multilateration

Lenses

- Acceleration of mass production of micro lenses for endoscopes
- Development of applications such as 3D sensing and automotive



Medium-term growth strategies:

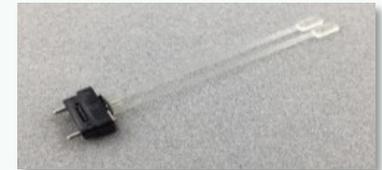
Optical Products Business

Maximization of economic value

Launch of new highly functional products and strengthening of production capacity through factory expansion and automation

■ Development strategy (Accelerating development of new products and new technologies)

- Development of next-generation optical connection components realizing small size, high capacity and high-speed communication
- Development of automated polishers and inspection equipment for optical connectors
- Development of RF optical transmission unit supporting millimeter band
- In-depth development of micro lens modularization technology
- Deepening of manufacturing automation technology
- Strengthening of technical partnerships with other companies, universities and public research institutes



MT fiber array



Micro LIM resin lens



GNSS optical transmission unit

■ Production strategy (Improving manufacturing capabilities)

- Strengthening of all-in-one automated manufacturing equipment including assembly, inspection and packaging of optical components
- Strengthening of production capacity in the new factory in Dalian, China
- Consideration of opening of new production facilities in third countries



New factory in Dalian, China
(land: 33,000m², building: 10,000m²)



Automation equipment for optical components

Medium-term Management Plan
"Master Plan 2022"



Sustainability strategy
for optimization of
social value

Contribute to the achievement of four SDGs targets through business activities (products and services) and corporate activities (systems and initiatives)

⇒ Contribution to the achievement of other ancillary targets

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



Sustainability strategy : Contributions through business activities

Optimization of
social value

Support the progress and development of society through the timely provision of products and services required for the times

Contribution to achievement of SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



3 GOOD HEALTH AND WELL-BEING



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



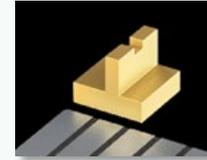
13 CLIMATE ACTION



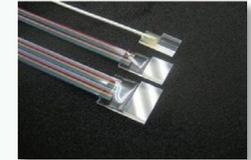
- Optical communication components supporting large-volume, high-speed communication contributing to the creation of more comfortable Internet environments



Intelli-Cross Pro new optical connectors



Heat dissipation metal materials for dissipating heat from optical modules



Fiber array for realizing high core pitch precision

- Automotive components encouraging the spread of EVs and evolution of automated driving



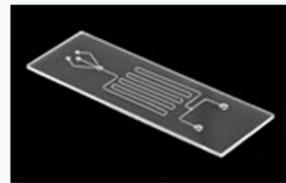
Development of electric components for EVs and HVs



Heat-resistant resin lens that can be applied in automotive sensors



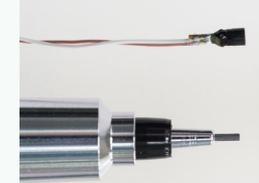
- Development of medical and biotechnology devices supporting people's healthy lives



Microfluidic devices that can be applied to PCR testing



Cell culture container with micro structure



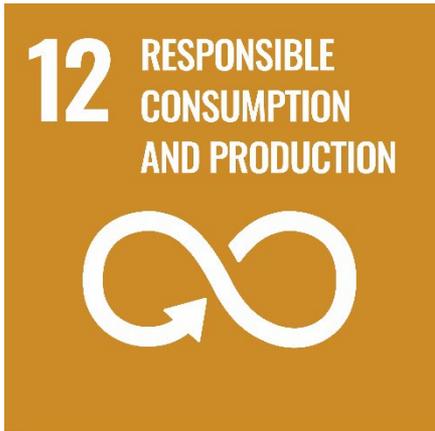
Micro resin lens enabling use in endoscopes

Sustainability strategy : Contributions through business activities

Optimization of
social value

Promote the three Rs (reduce, reuse, recycle) and contribute to the creation of a resource recycling society

Contribution to
achievement of SDGs



- Reduce waste through the utilization of recycled resin



- Promotion of development and design of environmentally friendly products



Hot runner mold design reducing amount of resin used

- Reduction and ensuring management of hazardous chemical substances with an environmental impact
- Compliance with environmental laws and regulations

Establishing an environment in which diverse personnel can vibrantly work
/ Adoption of cloud, paperless business practices, DX

Contribution to
achievement of SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



13 CLIMATE
ACTION



17 PARTNERSHIPS
FOR THE GOALS



■ Promotion of diversity and globalization

- Review of mandatory retirement and re-employment systems
- Review of maternity and childcare support systems
- Strengthening of recruitment of women in career-track positions
- Recruitment and development of global personnel
- Promotion of health and productivity management



■ Creation of a personnel system for realizing sustainable growth

- Review of systems such as evaluation, remuneration, training & development, and transfers

■ Promotion of DX, cloud and paperless business practices

- Promotion of adoption of cloud for production management systems, financial accounting systems, etc.
- Support for the Electronic Books Maintenance Act
- Promotion of electronic approval through introduction of work flow
- Promotion of automation of manufacturing process
- Strengthening of Group security

Sustainability strategy : Contributions through corporate activities

Optimization of
social value

Company's greenhouse gas emissions in FY2026

⇒ 17% reduction from FY2020

Contribution to
achievement of SDGs



- Promotion of reduction of greenhouse gases
 - Promotion of activities such as energy saving and paper reduction
 - Priority purchase of products and services with little environmental impact
 - Update of aging equipment to low-power equipment
 - Consideration of utilization of private power generation and electricity storage equipment
 - Consideration of utilization of renewable energy



- Improvement of BCP effectiveness
 - Improvement of effectiveness through the implementation of BCP training
 - Rebuilding BCP assuming a pandemic
 - Strengthening of business continuity in the event of an emergency through the promotion of cloud adoption

Establishment of a new “Sustainability Promotion Office” under direct control of the President



- Management of progress of group-wide sustainability activities
- Reporting of level of achievement to Board of Directors and stakeholders

Medium-term Management Plan
"Master Plan 2022"

Medium-term management targets



Medium-term management targets (P&L indicators)

Medium-term management targets: Net sales of 25 billion yen, operating income of 2.5 billion yen (¥ Million)

■ Consolidated sales

25,000

16,188

18,400

13,500

11,500

Fiscal Year 2021 results

2022 plan

2026 plan

■ Precision Machinery Business ■ Optical Products Business

■ Consolidated operating income

2,500

1,524

1,740

Fiscal Year 2021 results

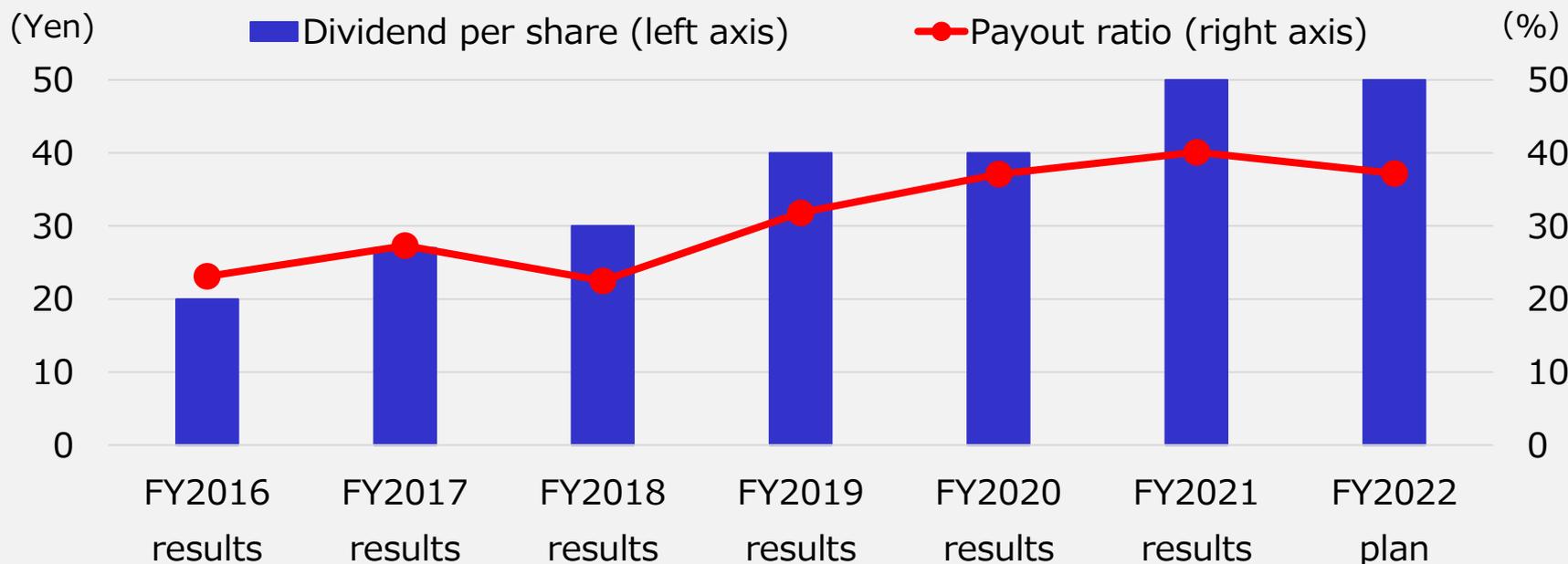
2022 plan

2026 plan

(¥ Million)	FY2021 results	FY2022 plan	FY2026 plan
Precision Machinery Business	8,478	9,720	11,500
Optical Products Business	7,710	8,680	13,500
Consolidated sales	16,188	18,400	25,000
Percentage of sales of new products	—	—	30%
Consolidated operating income	1,524	1,740	2,500
Operating income margin	9.4%	9.5%	10%

Medium-term management targets (Shareholder returns)

Implementation of stable shareholder returns aimed at a payout ratio of 30% or more



	FY2021 results	FY2022 plan	FY2026 plan
Net income (million yen)	1,150	1,240	—
Dividend per share	50Yen	50Yen	—
Payout ratio	39.7%	36.8	Stable dividends of 30% or more

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Forecast of Consolidated Business Results for 2023/03 Term

(¥ Million)	First half	Second half	Forecast of the 2023/03 Term	Results for the 2022/03 Term
Sales Amount	8,820	9,580	18,400	16,188
Operating Profit	770	970	1,740	1,524
Ordinary Profit	760	1,000	1,760	1,641
Net profit	530	710	1,240	1,150
Equipment Investment			1,343	1,476
Depreciation Expenses			1,300	1,260
R & D Expenses			438	437

Forecast of Consolidated Business Results (by Segment) for 2023/03 Term

(¥ Million)	First half	Second half	Forecast of the 2023/03 Term	Results for the 2022/03 Term
The Relation of Precision Machinery				
Sales Amount	4,710	5,010	9,720	8,478
Operating Expenses	4,540	4,750	9,290	8,097
Operating Profit	170	260	430	381
The Relation of Optical Communications				
Sales Amount	4,110	4,570	8,680	7,710
Operating Expenses	3,510	3,860	7,370	6,567
Operating Profit	600	710	1,310	1,143

Forecast of Consolidated Business Results for 2023/03 Term

Assumed foreign exchange rates	
1US \$	115Yen
1€	130Yen
1 CNY	18.5Yen

* The results projections are based on information available as of the date of the publication of this information. Actual results may differ from the projected values due to changes in various factors.



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