

2023

Results of Operations for the
First Half of the Fiscal Year Ending
December 31, 2023

(January 1 to June 30, 2023)

August 23, 2023

Fenwal Controls of Japan, Ltd.

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Introduction

Vision

Your best partner for “manufacturing” that goes beyond customer expectations

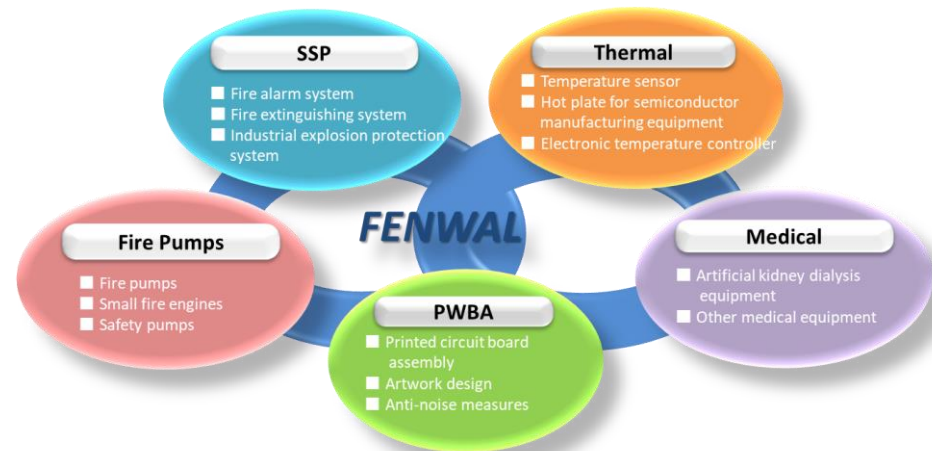
Basic Management Policy

“Master the fundamentals” and “Take on the challenge of radical change”

- Upgrade the quality assurance system
- Restructure and enhance organizational structure
- Develop human resources and ensure appropriate personnel placement
- Strengthen the research and development framework

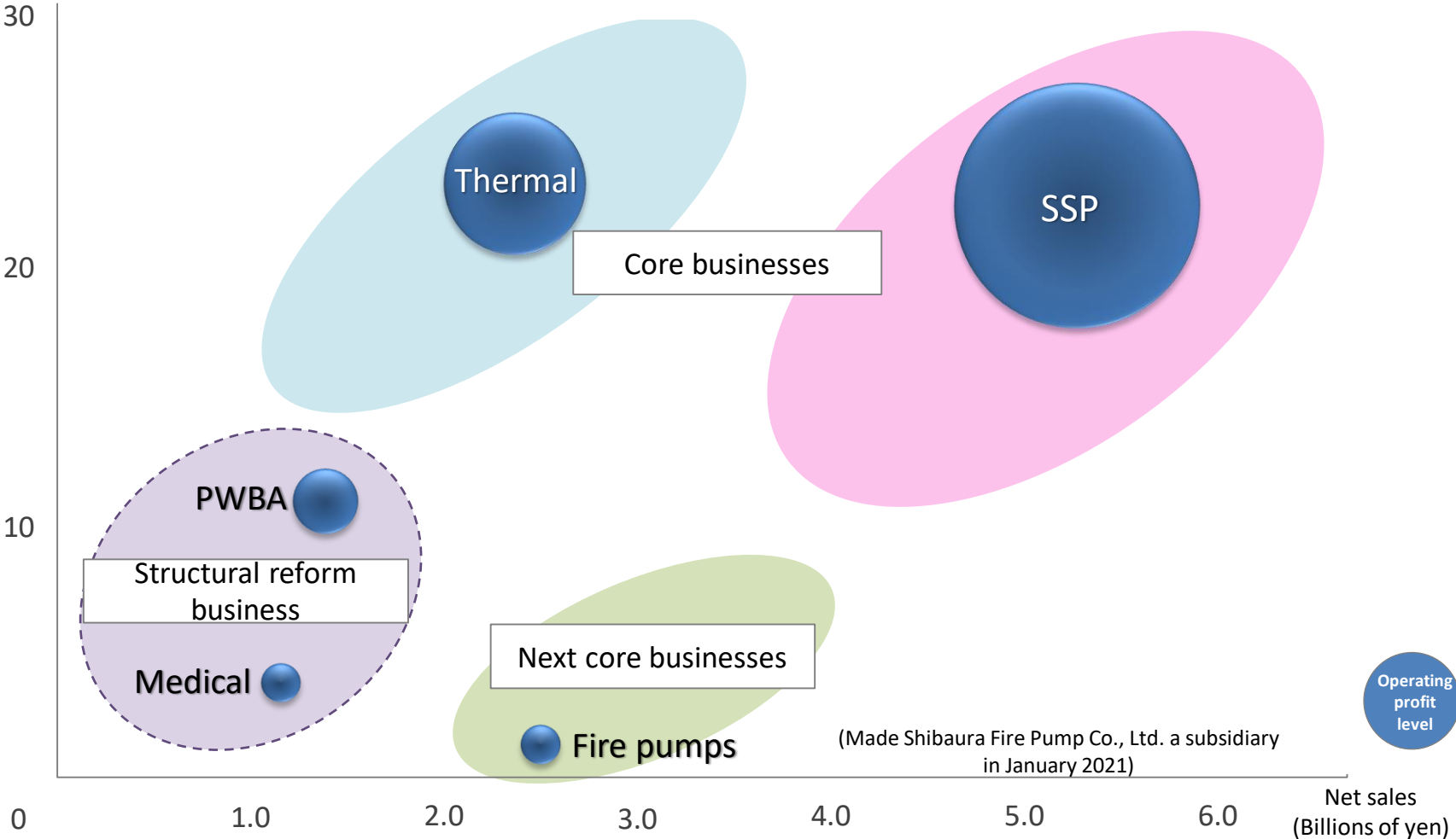
The Value We Bring

We have used our core thermal control technology expertise to fulfill its mission as a manufacturer that contributes to the safety and security of society by supplying products used in the disaster prevention, semiconductor, health care and many other markets.



Operating profit ratio (%)

Based on financial results in 2022



(Made Shibaura Fire Pump Co., Ltd. a subsidiary in January 2021)

Operating profit level

1. Financial Results for the First Half of 2023

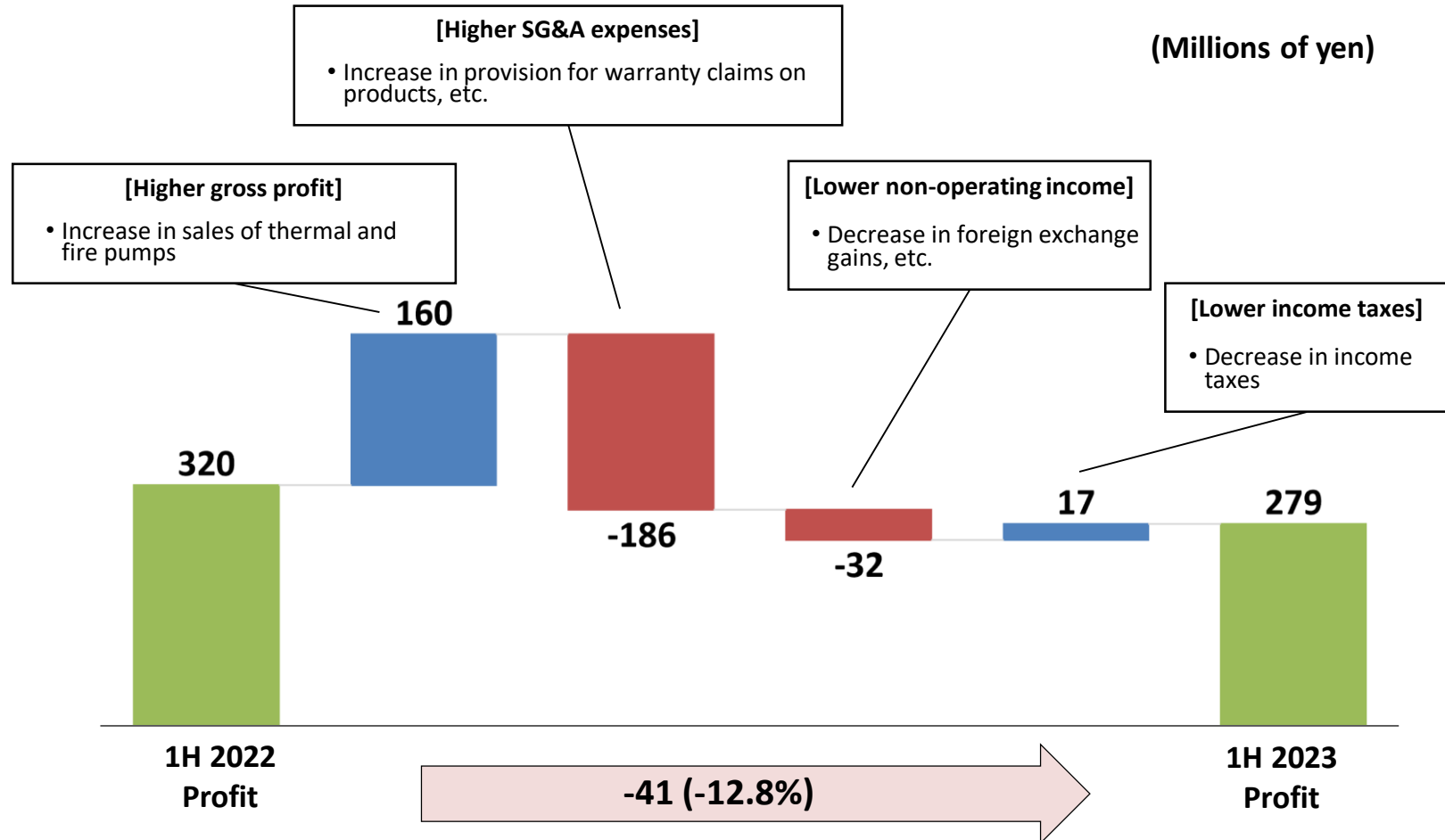
**Higher sales and lower earnings:
Net sales were up 10.1% YoY and Operating profit was down 4.2% YoY**

Items	1H 2023	1H 2022		2023	
	Results	Results	YoY	Forecasts	Progress Ratio
■ Order received	6,306	6,363	-0.9%	12,851	49.1%
■ Net sales	6,486	5,891	10.1%	13,039	49.7%
■ Gross profit	2,059	1,898	8.5%	4,046	50.9%
■ SG&A expenses	1,457	1,270	14.7%	2,790	52.2%
■ Operating profit	601	628	-4.2%	1,255	47.9%
■ Non-operating income /loss	70	102	-31.4%	54	129.7%
■ Ordinary profit	671	730	-8.0%	1,310	51.3%
■ Profit	279	320	-12.8%	712	39.3%
■ Net income per share (Yen)	49.92	57.34	-12.9%	127.09	-
■ ROE	2.3%	2.7%	-0.4pt	6.0%	-
■ EBITDA margin	11.7%	13.5%	-1.8pt	12.3%	-

- Net sales were higher because of a big increase in shipments in the fire pumps segment
- The decrease in operating profit is attributed to the inclusion of 122 million yen in SG&A expenses to repair defective products.

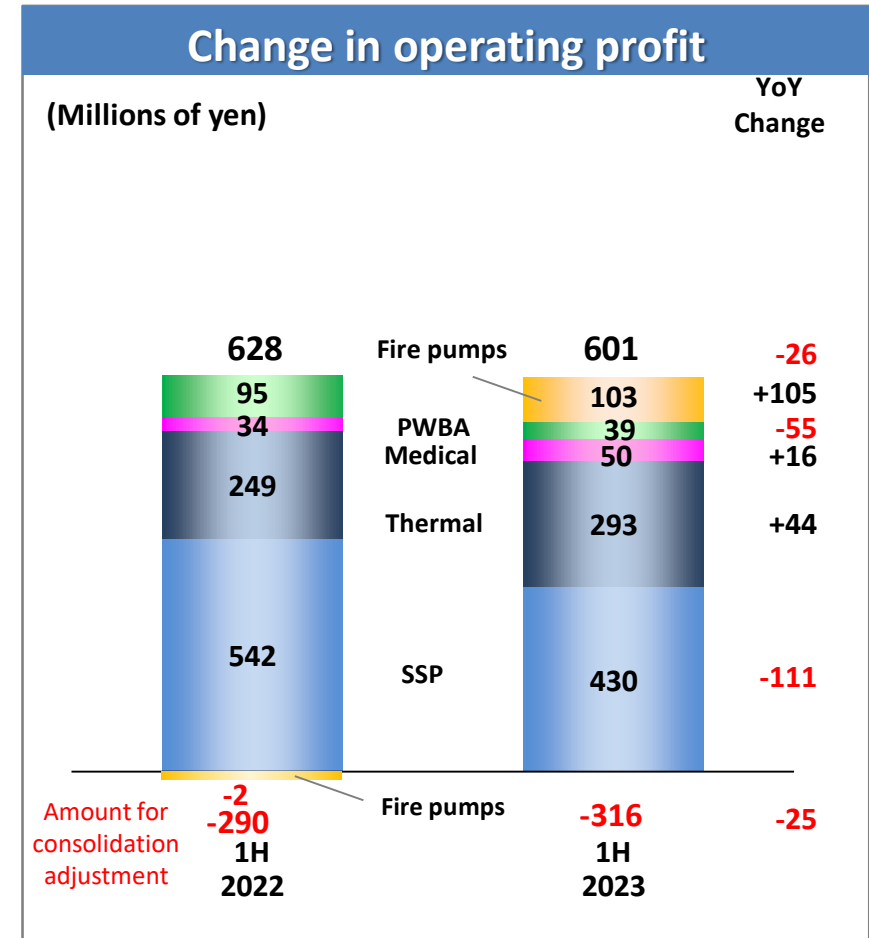
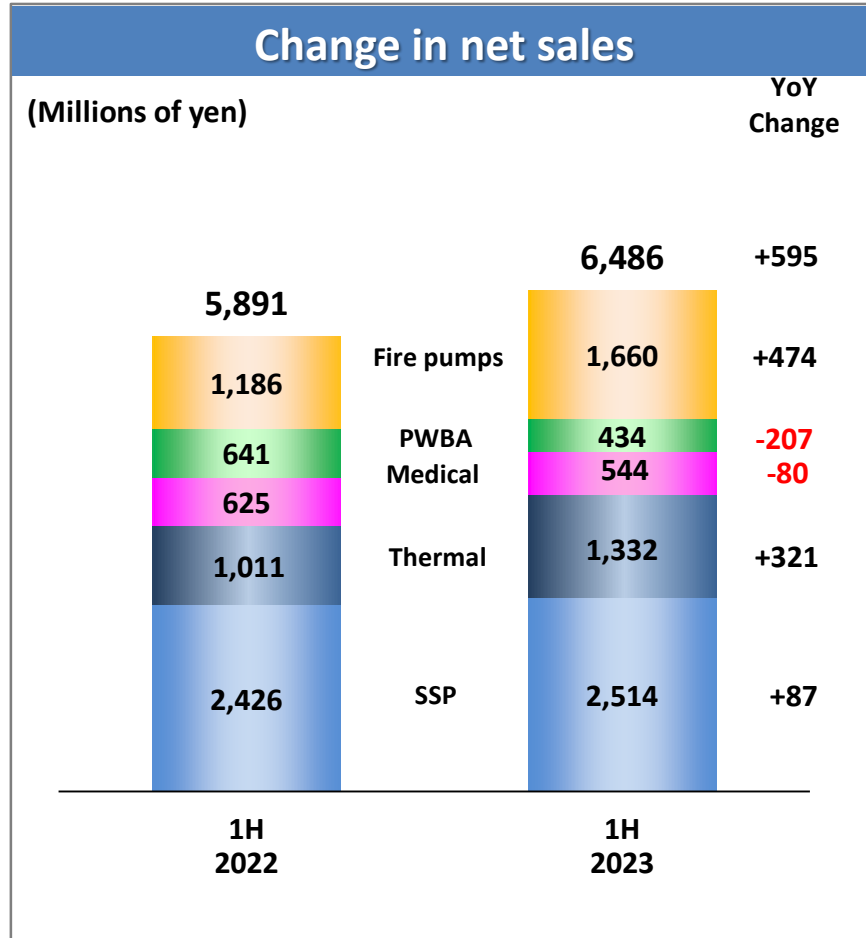
* Forecasts, disclosed on February 10, 2023, are for the full-year.

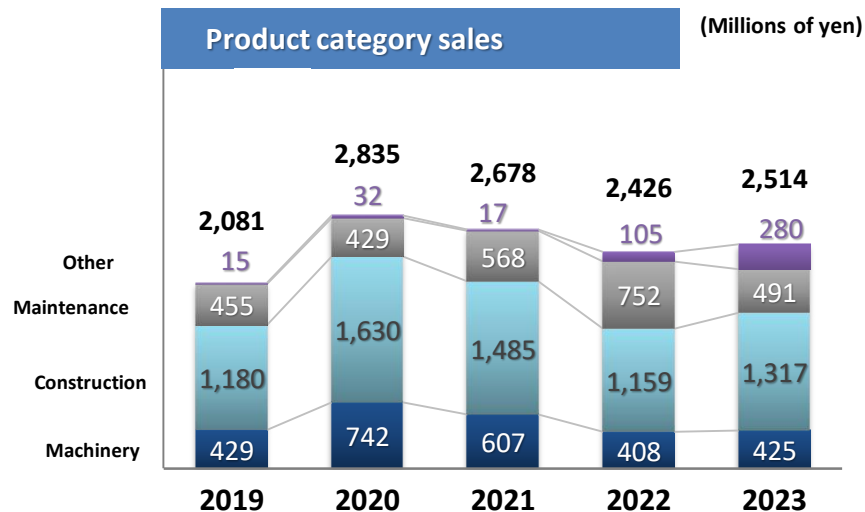
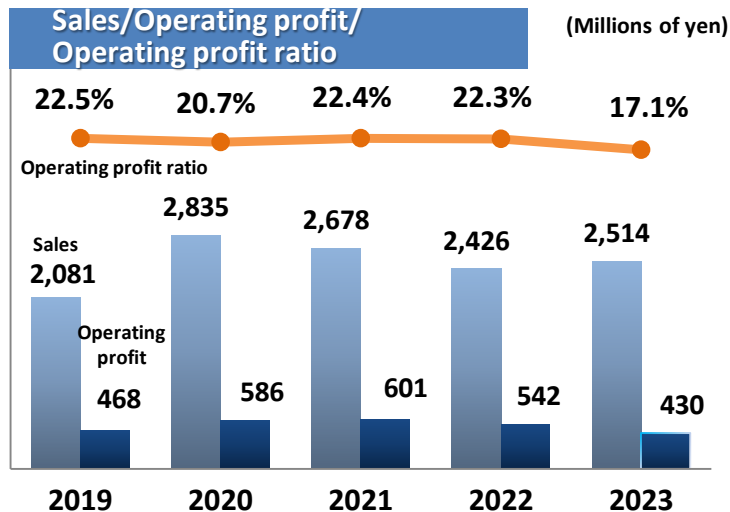
YoY Change in Profit



Results by Segment

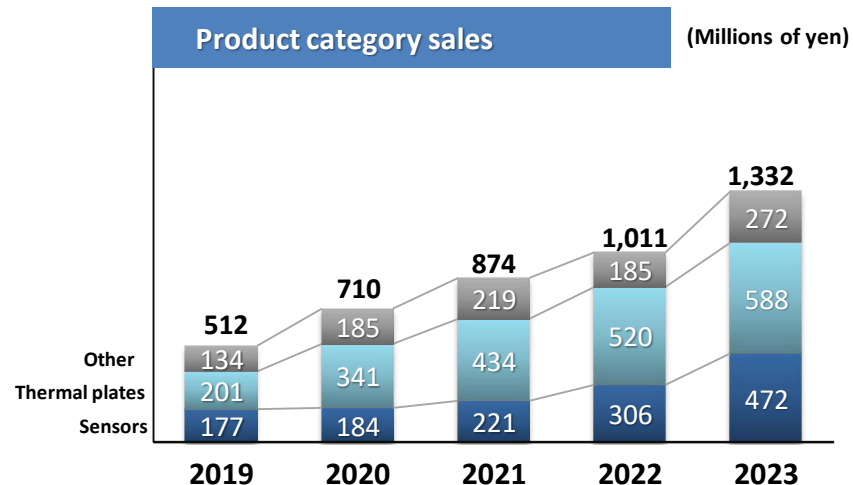
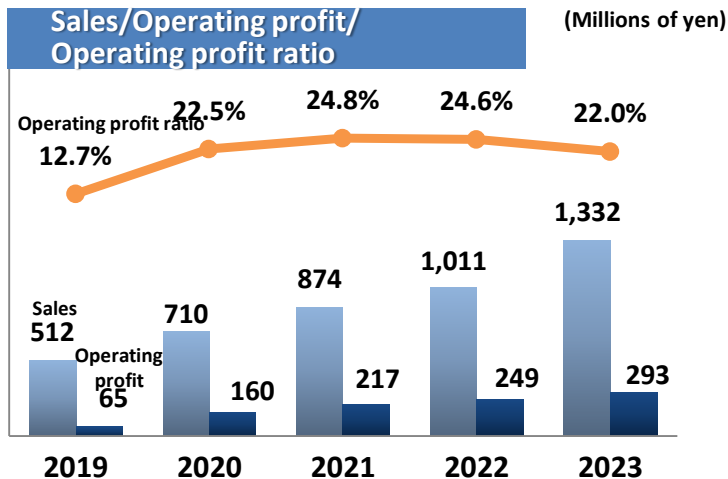
Analysis of Changes in Net Sales and Operating Profit by Segment FENWAL





Profit down despite higher sales: Sales were up 3.6% YoY, but operating profit was down 20.6% YoY

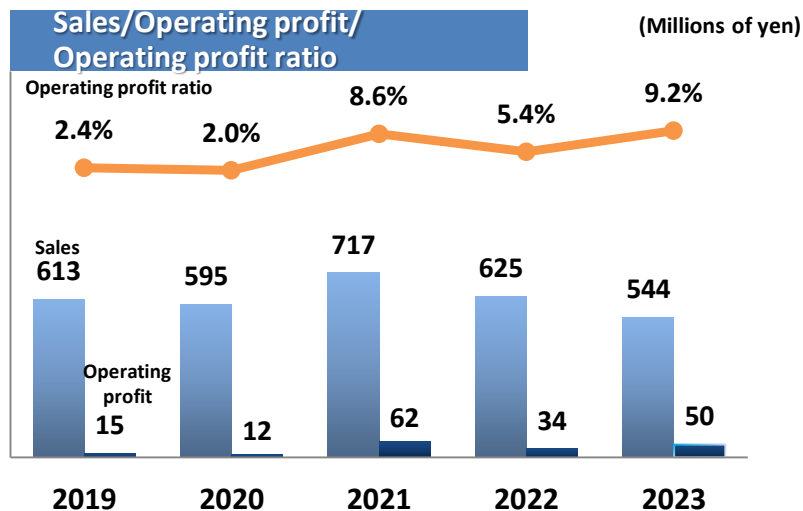
- The large volume of updating work for alarms, fire extinguishing systems and other systems in the electric power and other key industries.
- The decrease in operating profit is attributed to the inclusion of 122 million yen in SG&A expenses to repair defective products.
- Continue to focus on replacing defective products to restore customer confidence.



Higher sales and earnings: Sales were up 31.7% YoY and operating profit was up 17.9% YoY

- Sales remained firm although orders for hot plates and sensors used in semiconductor manufacturing equipment, the main products of this category, decreased.
- The profit ratio declined due to higher cost of raw materials.
- By product category, sales of thermos switches in others increased due to delivery pushed back from 2022 to 2023.

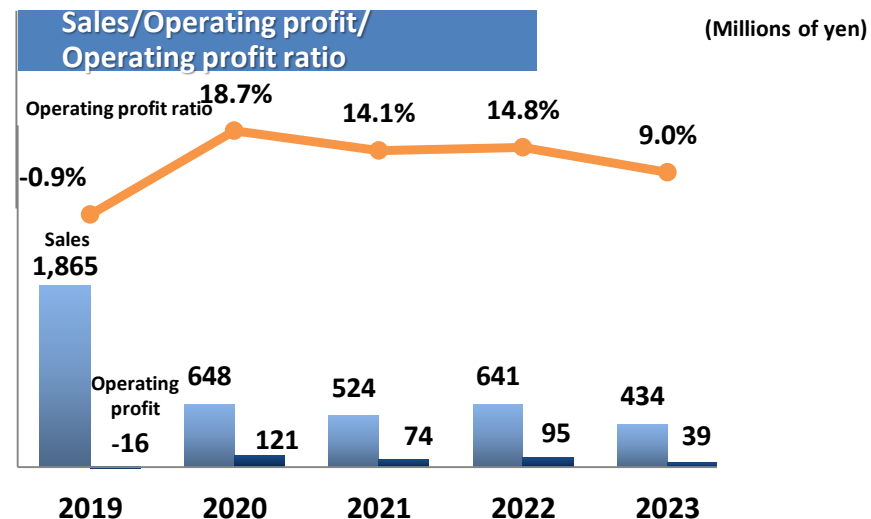
Medical



Sales were down 12.9% YoY and operating profit was up 47.2% YoY

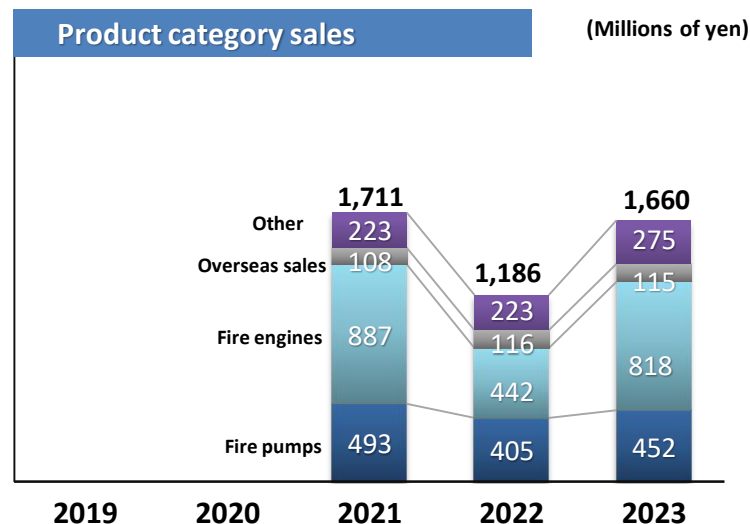
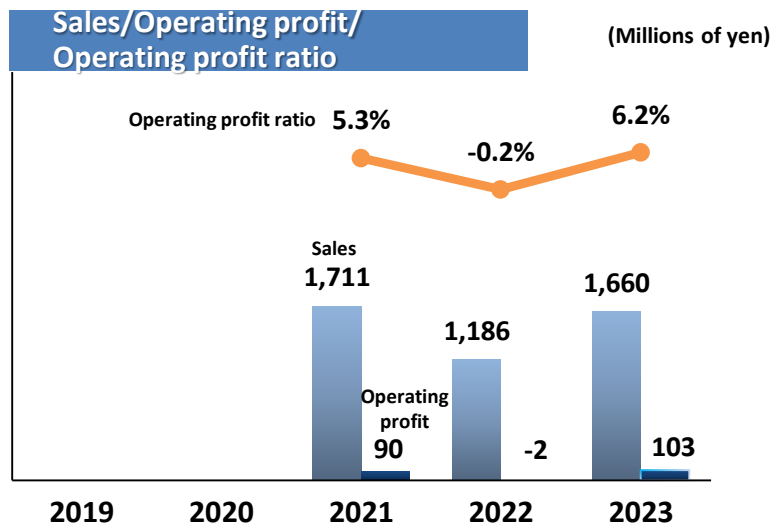
- Sales decreased due to a delay in the recovery of demand for artificial kidney dialysis equipment.
- Earnings increased due to the reduction in SG&A expenses following the reorganization.

PWBA



Sales were down 32.4% YoY and operating profit was down 58.4% YoY

- Sales of the office equipment and industrial equipment decreased due to adjustments of the inventories of customers.



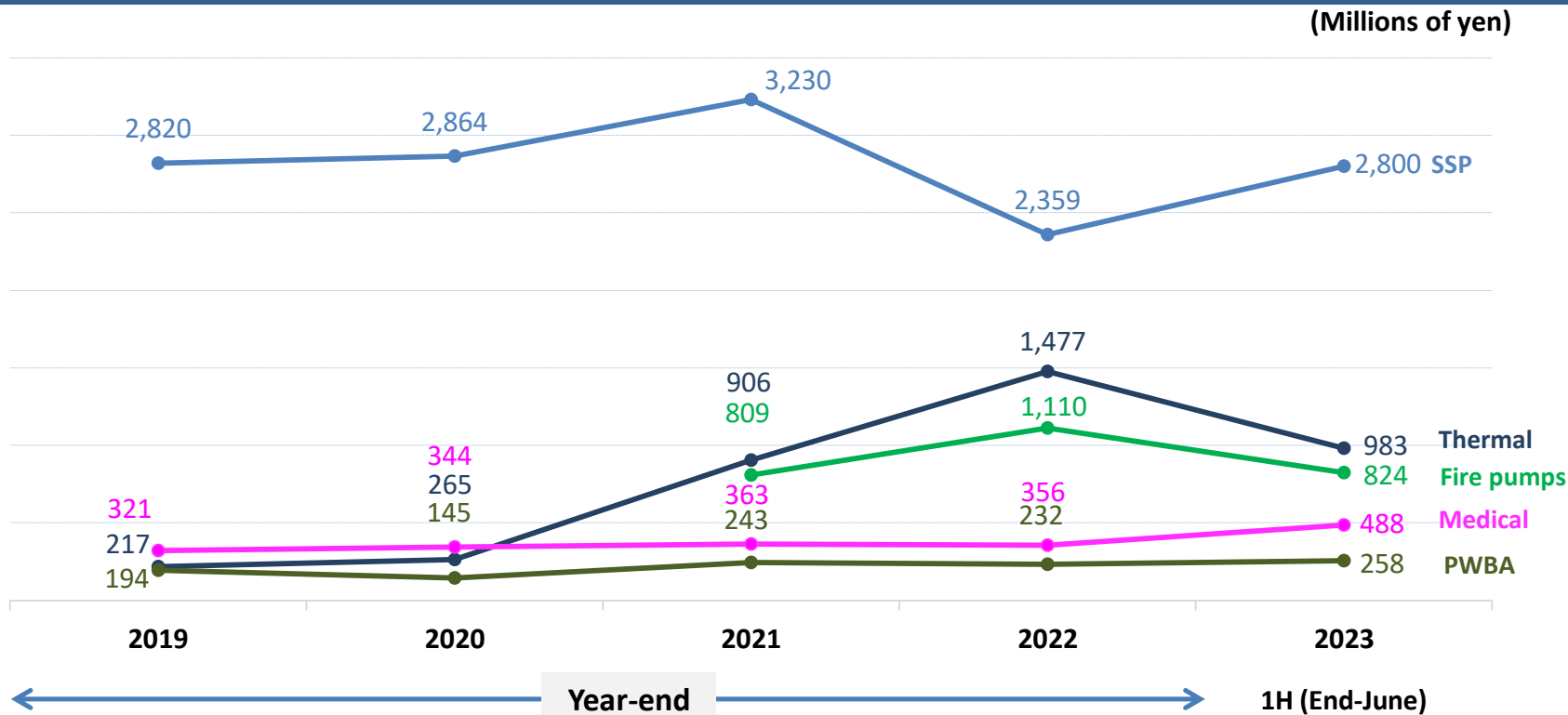
*In January 2021, Shibaura Fire Pump Co., Ltd. was acquired and became a consolidated subsidiary.

Higher sales and earnings: Sales were up 40% and operating profit increased 105 million yen YoY

- Sales increased due to a large volume of sales of fire engines and fire pumps in Japan.
- Outside Japan, sales of fire pumps remained strong in China and South Korea.
- Orders submitted for bids in China increased as the country ended zero-COVID policy.

Order Backlog By Segment

- The increase in the SSP segment is attributed to receiving large-scale construction projects customized for specific customers.
- Order backlog in the thermal segment declined due to reduced investments in the semiconductor manufacturing equipment market.



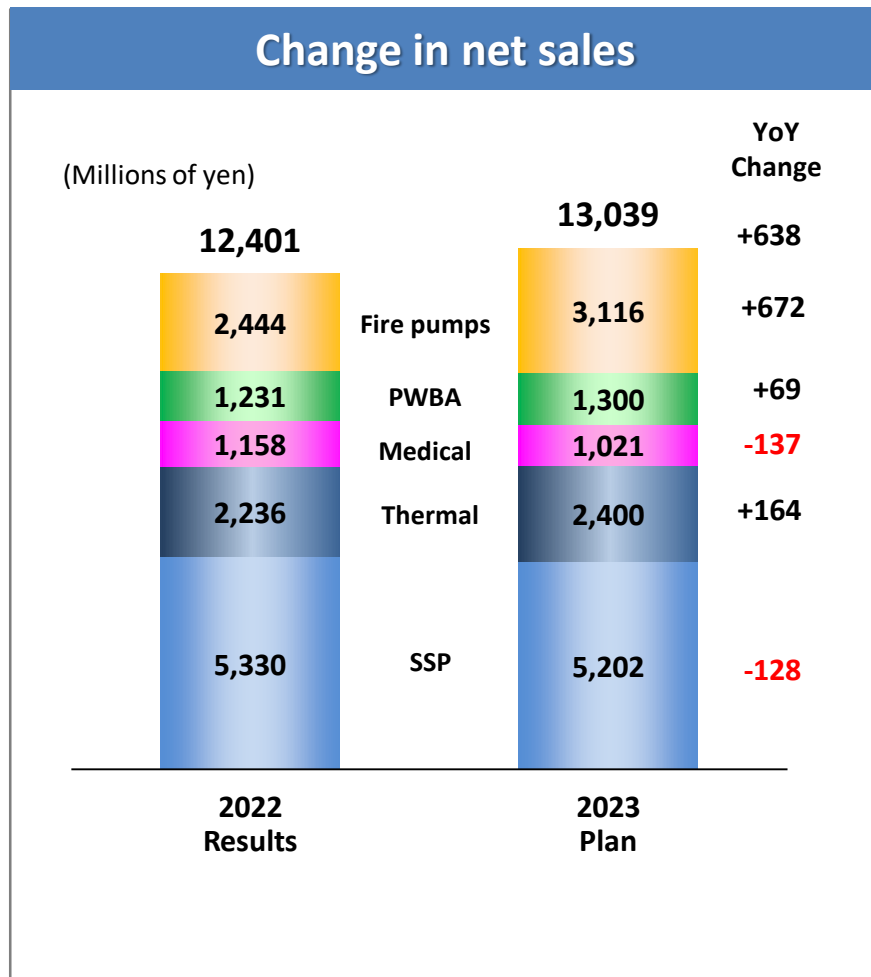
Main Initiatives in the First Half of 2023

Initiatives for accomplishing goals of the New Medium-Term Management Plan From the February 2023 Financial Results Briefing		Main initiatives in the first half of 2023 Commitment to "Master the fundamentals" and "Take on the challenge of radical change"
(1)	Cultural and mindset transformation <ul style="list-style-type: none"> Establish shared goals, correct mismatches, develop human resources, and take other actions 	Develop human resources <ul style="list-style-type: none"> Management training, compliance education Training for new employees who are new graduates and who are hired with previous work experience and training for specific levels Information security education
(2)	Become a highly competitive company <ul style="list-style-type: none"> Restructure the organization, reinforce functions, clearly define roles, and take other actions 	Restructure the organization <ul style="list-style-type: none"> Quality: Strengthen quality control system by integrating quality assurance and quality control functions Sales: Change to a cross-selling framework for equipment sales Development: Upgrade development capabilities by establishing a new organization unit for these activities Production: Optimize production management by consolidating production divisions
(3)	Restore expertise as a manufacturer <ul style="list-style-type: none"> Invest in development programs, strengthen quality control system, and take other actions 	
(4)	Identify customer needs that are currently hidden <ul style="list-style-type: none"> Enhance marketing capabilities, diversify sales approaches, and take other actions 	Diversify sales approaches <ul style="list-style-type: none"> Integrated cross-selling system (Integration of sales systems for individual business lines) Start inside sales (Identify latent customer needs)
(5)	Comprehensive restructuring of the profit structure <ul style="list-style-type: none"> Evaluation of business feasibility, risk mitigation, and more 	Evaluate profitability potential <ul style="list-style-type: none"> Ongoing assessment of business feasibility Determine the growth potential of business Create strategies for sustained growth

2. 2023 Consolidated Forecast

The increase in raw material prices and other factors led to a decrease in earnings despite consistent sales

Items	Plan	YoY	
	2023 Forecast	2022 Results	Change (%)
■ Net sales	13,039	12,401	5.1%
■ Gross profit	4,046	4,045	0.0%
■ SG&A expenses	2,790	2,735	2.0%
■ Operating profit	1,255	1,310	-4.2%
■ Non-operating income/loss	54	168	-67.7%
■ Ordinary profit	1,310	1,479	-11.4%
■ Profit	712	826	-13.8%
■ Net income per share (Yen)	127.09	147.62	-13.9%
■ ROE	6.0%	6.8%	-0.8pt
■ EBITDA margin	12.3%	13.4%	-1.1pt



Forecasting higher sales (Up 5.1% YoY)

- **SSP**
Capture the demand for disaster prevention equipment in key industries and specialized environmental equipment.
- **Thermal**
Expand the market reach of sensors and hot plates used in semiconductor manufacturing, while also capturing the demand for products in control equipment applications.
- **Medical**
Enhance the functionality and develop software for artificial kidney dialysis equipment.
- **PWBA**
Drive customer development efforts to capture the demand for new equipment installations.
- **Fire pumps**
Japan: Strengthen the sales framework through collaborative efforts with distributors.
Overseas: Focus on cultivating and empowering promising distributors.

2023 Dividend/Shareholder Returns

Dividend/Shareholder Return Policy

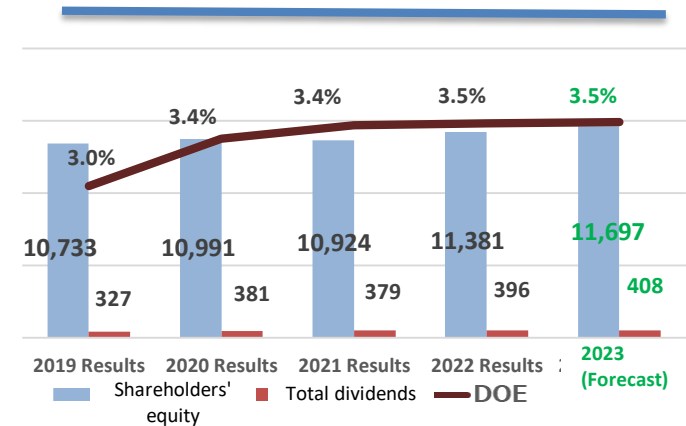
Dividend Policy

- Implement a DOE metric to ensure stable dividends while making proactive investments to enhance corporate value.
DOE target: About 3.5%
- We will implement a flexible strategy for shareholder returns through share repurchases, taking into account factors such as stock price trends, cash flow, and other relevant considerations.

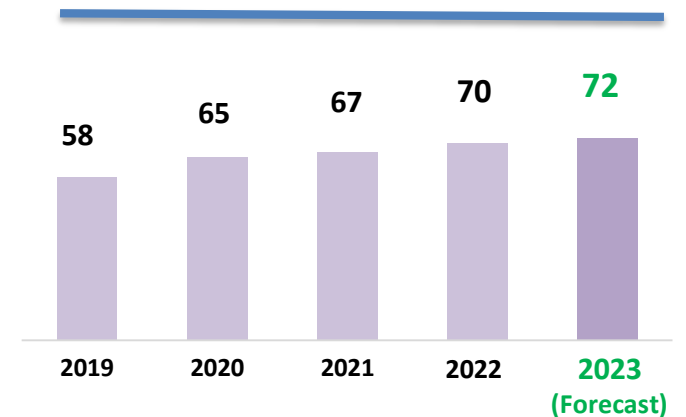
DOE 3.5%: ROE 7.0% x Payout ratio 50%

Fiscal year	2019	2020	2021	2022	2023 Forecast
Profit (Millions of yen)	526	585	387	826	712
Payout ratio (%)	64.6	62.7	97.6	47.4	56.6
DOE (%)	-	3.38	3.47	3.48	3.48

DOE (Millions of yen)



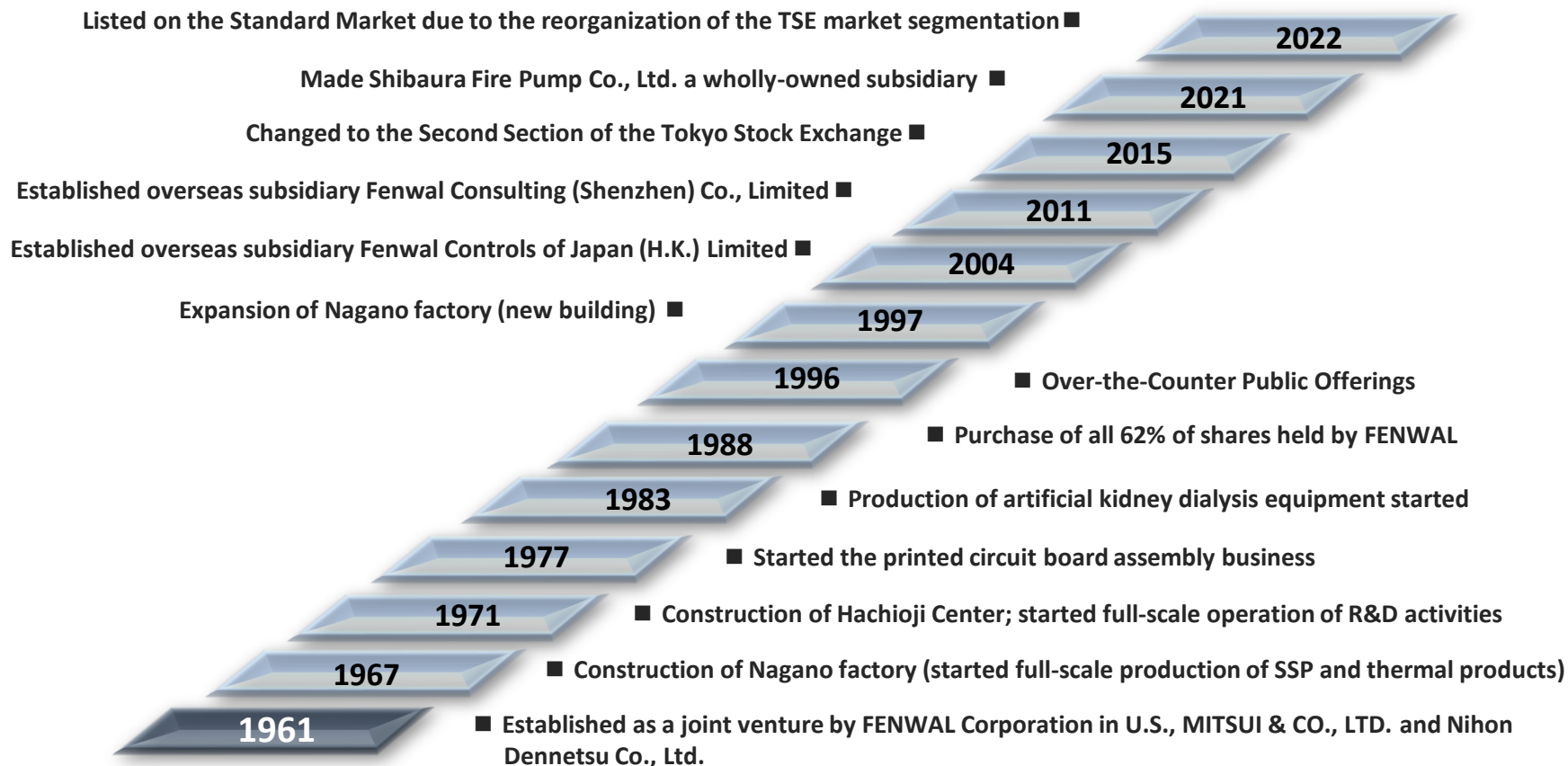
Dividend per share (Yen)



3. Appendix

Corporate Profile

Company name	Fenwal Controls of Japan, Ltd.
Representative	Yoshinobu Nakano, President and Representative Director
Established	May 24, 1961
Listed market	1996: OTC Registration; 2015: Changed to the Second Section of TSE; 2022: TSE Standard
Capital	996,600,000 yen
Employees	273 (Consolidated) (As of December 31, 2022)
Head office location	1-5-10 Iidabashi, Chiyoda-ku, Tokyo
Business	<ul style="list-style-type: none"> • SSP (Disaster prevention equipment) • Thermal (Temperature control equipment) • Medical (Artificial kidney dialysis equipment) • PWBA (Printed wiring board assembly) • Fire pumps (Subsidiary)
Major shareholders	<ul style="list-style-type: none"> • THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD • Sumitomo Mitsui Banking Corporation • The Hachijuni Bank, Ltd.
Correspondent Banks	<ul style="list-style-type: none"> • Sumitomo Mitsui Banking Corporation • The Hachijuni Bank, Ltd. • Sumitomo Mitsui Trust Bank, Limited • MUFG Bank, Ltd.
Affiliated subsidiaries	<p>Japan: Shibaura Fire Pump Co., Ltd.</p> <p>Overseas: Fenwal Controls of Japan (H.K.) Limited / Fenwal Consulting (Shenzhen) Co., Limited</p>



Business Activities

SSP

Development, manufacture and sales of fire alarm system, fire extinguishing system, industrial explosion protection system, high sensitivity smoke detection system (SAS), and overheating alarm system, etc., as well as design, implementation, maintenance, and engineering services for these systems

Thermal

Development, manufacture and sales of temperature controller, hot plate and apparatus for semiconductor manufacturing equipment, thermocouple of high temperature furnace and other controller, as well as design and service for these systems

Medical

Development, design, manufacturing of and services for artificial kidney dialysis equipment and medical equipment

PWBA

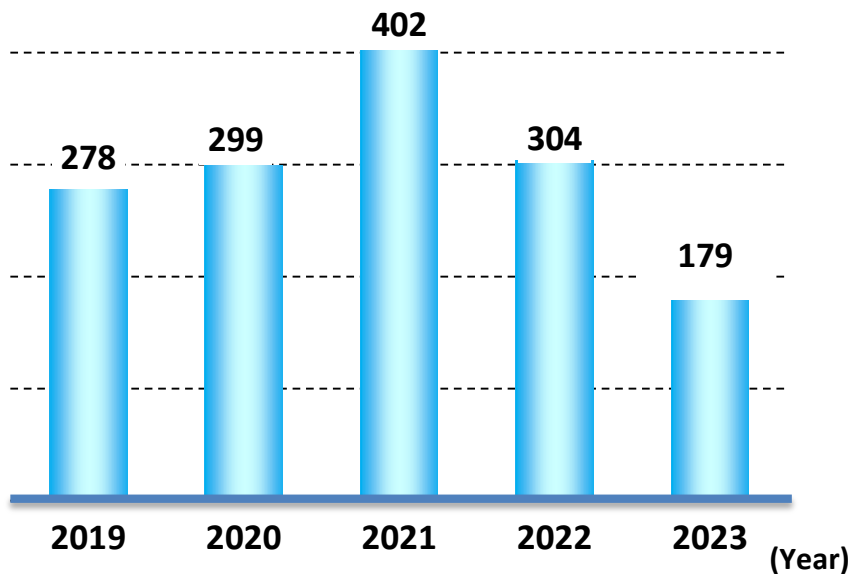
Artwork design, anti-noise measures, printed circuit board assembly

Fire pumps

Development, manufacture and sales of fire pumps, water purifiers and other disaster prevention equipment

R&D Expenses

(Millions of yen)



← Full year → 1H

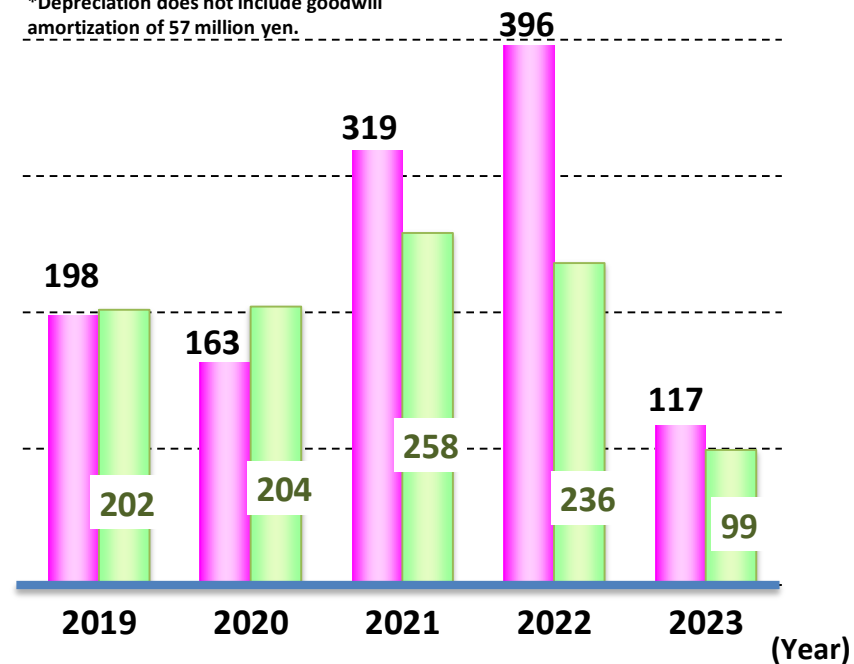
Capital Expenditures and Depreciation

(Millions of yen)

■ Capital expenditures

■ Depreciation

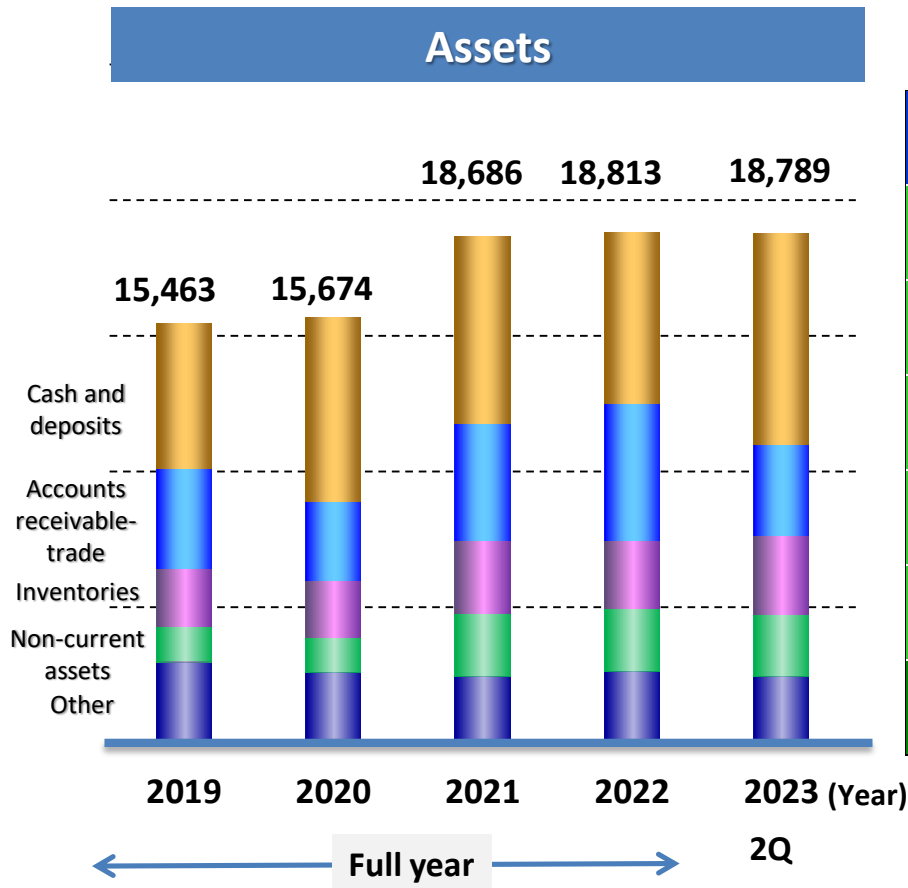
*Depreciation does not include goodwill amortization of 57 million yen.



← Full year → 1H

2023 Consolidated Balance Sheet (Assets)

FENWAL

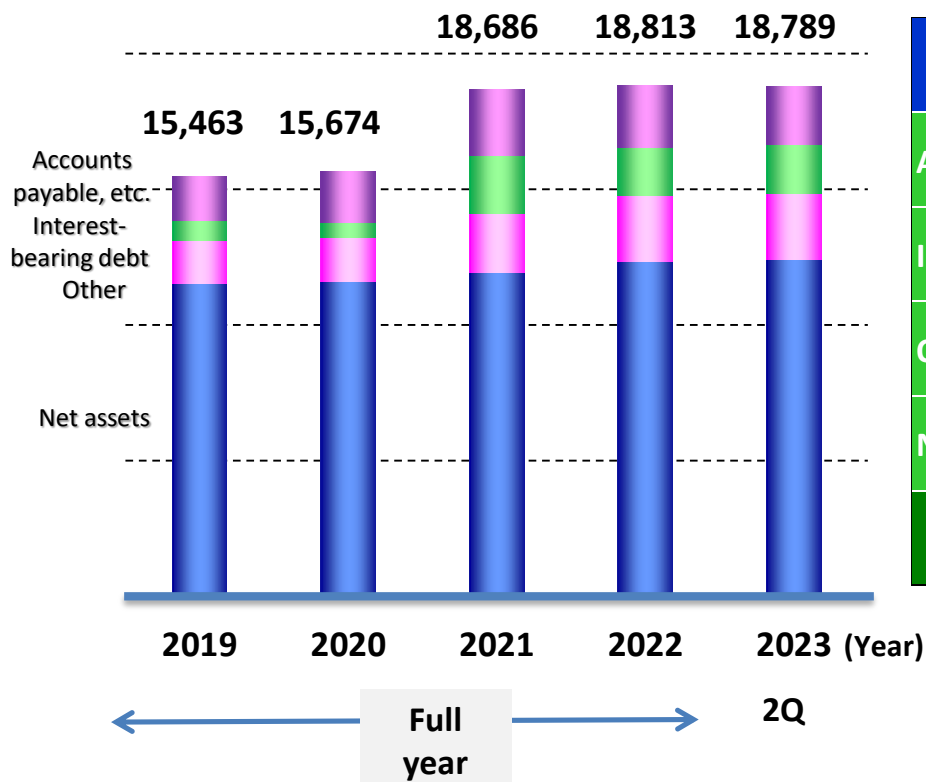


Components of Changes

(Millions of yen)

	2Q 2023	End of 2022	YoY change
Cash and deposits	7,787	6,316	23.3%
Accounts receivable	3,364	5,023	-33.0%
Inventories	2,888	2,496	15.7%
Non-current assets	2,310	2,350	-1.7%
Other	2,438	2,626	-7.2%
Total	18,789	18,813	-0.1%

Liabilities/Net Assets

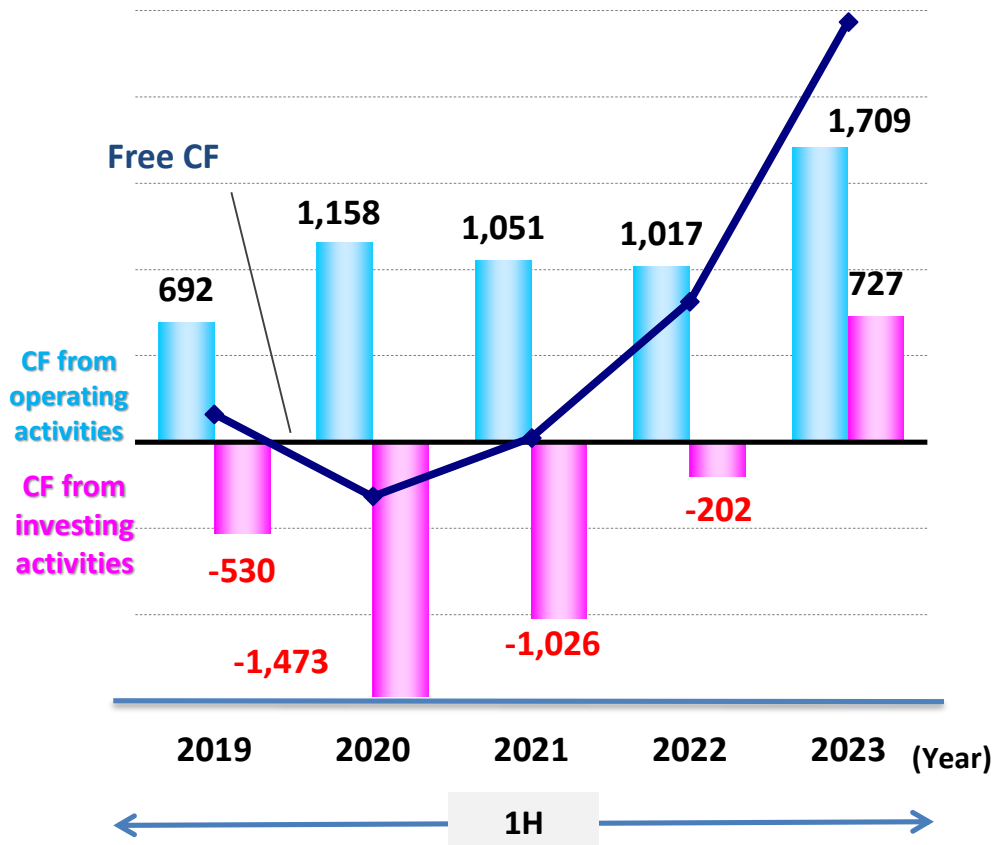


Components of Changes

(Millions of yen)

	2Q 2023	End of 2022	YoY change
Accounts payable, etc.	2,151	2,269	-5.2%
Interest-bearing debt	1,784	1,782	0.1%
Other	2,449	2,449	0.0%
Net assets	12,404	12,312	0.7%
Total	18,789	18,813	-0.1%

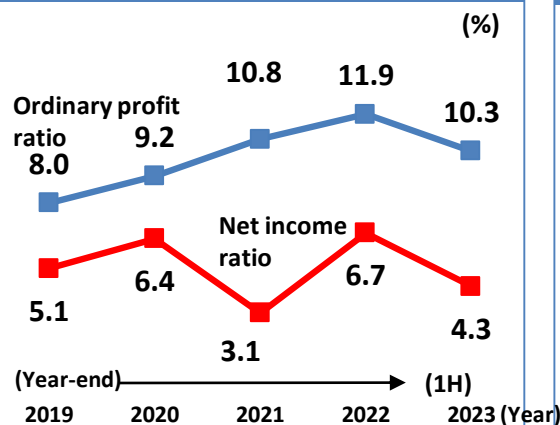
Cash Flows



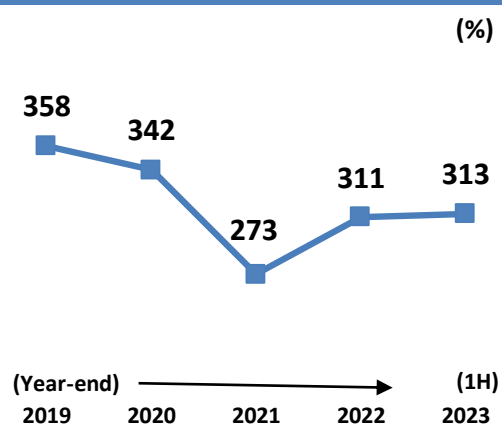
Components of Changes (Millions of yen)

	1H 2023	1H 2022	YoY change
CF from operating activities	1,709	1,017	68.0%
CF from investing activities	727	-202	-
CF from financing activities	-394	-399	-1.3%
Effect of exchange rate changes	66	87	-24.1%
Total	2,109	502	320.1%
Cash and cash equivalents at beginning of period	5,387	5,740	-6.1%
Cash and cash equivalents at end of period	7,497	6,242	20.1%
Free CF	2,436	815	198.9%

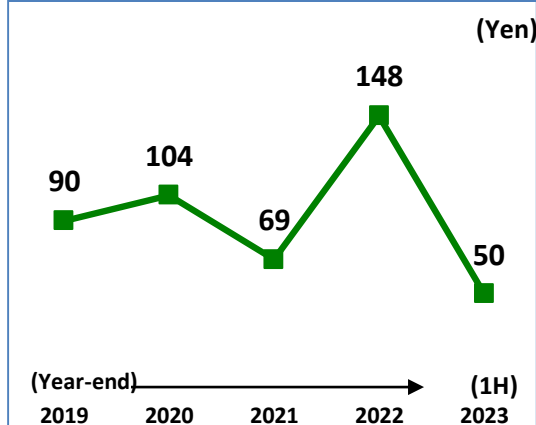
Profit to sales ratio



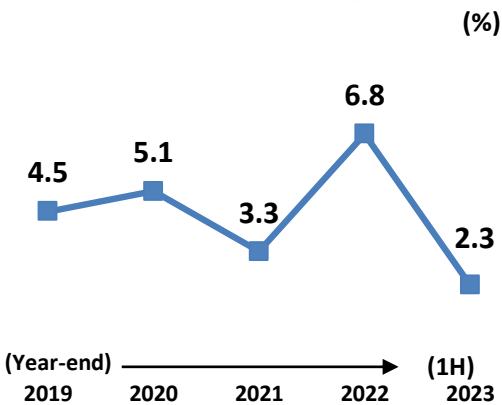
Liquidity ratio



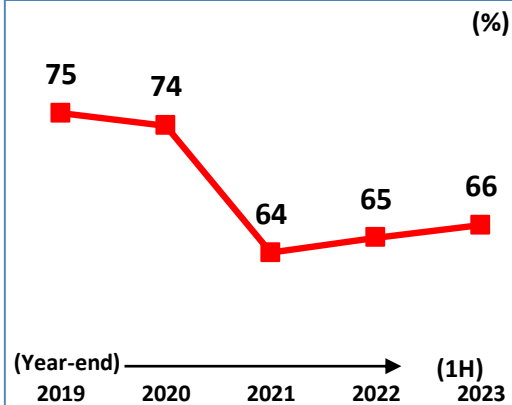
Net income per share



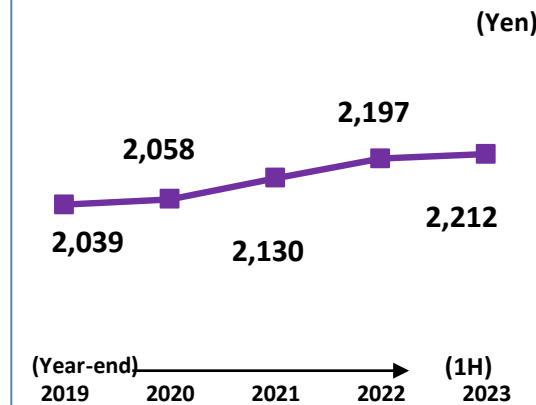
Ratio of net income to shareholders' equity



Equity ratio



Net assets per share



■ Precautions

The contents contained herein are based on information that is currently available to us, and forward-looking statements are subject to a number of risks and uncertainties, including market conditions, currency exchange rates and other factors. Therefore, they may differ from our forecasts.

■ Contact

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