

# Consolidated Financial Results for 2023

[Japanese GAAP]

February 9, 2024

Company name: Fenwal Controls of Japan, Ltd. Listing: Tokyo Stock Exchange  
 Stock code: 6870 URL: <https://www.fenwal.co.jp/>  
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Scheduled date of Annual General Meeting of Shareholders: March 28, 2024

Scheduled date of payment of dividend: March 29, 2024

Scheduled date of filing of Annual Securities Report: March 29, 2024

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for analysts)

(All amounts are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for 2023 (January 1 to December 31, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2023	12,601	1.6	1,035	(21.0)	1,159	(21.6)	385	(53.3)
2022	12,401	0.2	1,310	3.1	1,479	10.5	826	113.3

Note: Comprehensive income (millions of yen) 2023: 760 (up 0.0%) 2022: 760 (up 1.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
2023	68.83	-	3.1	6.1	8.2
2022	147.62	-	6.8	7.9	10.6

Reference: Equity in earnings of associates (millions of yen) 2023: - 2022: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2023	19,075	12,680	66.5	2,261.30
As of Dec. 31, 2022	18,813	12,312	65.4	2,196.73

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2023: 12,680 As of Dec. 31, 2022: 12,312

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
2023	1,114	940	(646)	6,819
2022	401	(80)	(714)	5,387

## 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
2022	-	0.00	-	70.00	70.00	396	47.4	3.3
2023	-	0.00	-	72.00	72.00	407	104.6	3.3
2024 (forecast)	-	37.00	-	37.00	74.00		81.6	

## 3. Consolidated Forecast for 2024 (January 1 to December 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,790	1.5	907	(12.3)	944	(18.5)	508	31.7	90.66

\* Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of Dec. 31, 2023: 5,893,000 shares As of Dec. 31, 2022: 5,893,000 shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2023: 285,522 shares As of Dec. 31, 2022: 287,922 shares

3) Average number of shares during the period

Fiscal year ended Dec. 31, 2023: 5,606,860 shares Fiscal year ended Dec. 31, 2022: 5,599,451 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and average number of shares during the period include the shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for distributing stock to officers.

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for 2023 (January 1 to December 31, 2023)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2023	9,600	(3.6)	871	(31.6)	2,087	8.4	1,395	4.1
2022	9,956	4.8	1,274	6.1	1,925	18.7	1,340	69.6

	Net income per share	Diluted net income per share
	Yen	Yen
2023	248.91	-
2022	239.42	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2023	17,748	12,590	70.9	2,245.33
As of Dec. 31, 2022	16,516	11,334	68.6	2,022.24

Reference: Shareholders' equity (million yen) As of Dec. 31, 2023: 12,590 As of Dec. 31, 2022: 11,334

\* The current financial report is not subject to the audit by an auditing firm.

\* Cautionary statement with respect to forward-looking statements, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company's management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (5) Outlook" on page 4 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

The Japanese version of the supplementary materials for the financial results will be posted on the Company's website on February 21, 2024. The English version will be posted as soon as the translation is completed.

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## 1. Overview of Results of Operations

### (1) Results of Operations

During 2023, there was a slow recovery of the Japanese economy as economic activity began to return to normal due to the easing of pandemic restrictions.

Despite this recovery, the outlook for the economy remains uncertain because of the negative effects of global monetary tightening, concerns about the Chinese economy, the rising cost of resources caused by numerous events worldwide, and the yen's depreciation.

Orders received decreased mainly because of a downturn in the thermal segment caused by the stagnation of the semiconductor industry. Sales were higher than in the previous fiscal year because of a big increase in shipments in the fire pumps segment.

We will continue to work on determining the true causes of the frequent occurrence of product problems and on measures centered on strengthening our corporate culture to prevent this type of problem from happening again.

Orders received were 11,859 million yen, down 8.2% year-on-year and sales were 12,601 million yen, up 1.6%. Operating profit was 1,035 million yen, down 21.0%, due to the increase in selling, general and administrative expenses as a result of upgrades to quality assurance measures and ordinary profit was 1,159 million yen, down 21.6%. Profit attributable to owners of parent was 385 million yen, down 53.3% due to a provision for loss related to product repairs as an extraordinary loss.

Business segment performance was as follows:

#### Safety Security Protection (SSP)

Although there were strong sales of sensors and other products, segment sales decreased because of lower sales of container valves due to a decline in demand involving updates and maintenance of halon fire extinguishing systems.

Orders increased because of higher orders for update and maintenance services and orders received from specific customers for alarms, fire extinguishing systems and water fire extinguishing systems.

Orders received were 5,261 million yen, up 5.4% year-on-year, and sales were 4,841 million yen, down 9.2%.

#### Thermal

Orders decreased mainly because of downturns in orders for sensors used in semiconductor manufacturing equipment, the main category of this segment. Investments in the semiconductor manufacturing equipment market slowed down, chiefly in the memory device and advanced logic sectors. Sales remained generally firm.

Orders received were 1,573 million yen, down 43.9% year-on-year, and sales were 2,555 million yen, up 14.2%.

#### Medical

Demand for kidney dialysis equipment is recovering slowly in some countries following the negative effects of the multi-year pandemic. Orders increased for artificial kidney dialysis equipment and associated products outside Japan, the major products in this segment. Sales increased because of higher sales of products used with artificial kidney dialysis equipment, which are core products in this segment.

Orders received were 1,331 million yen, up 15.7% year-on-year, and sales were 1,291 million yen, up 11.4%.

#### Printed Wiring Board Assembly (PWBA)

Orders and sales were lower than one year earlier. The main reasons are declines in the production of products for industrial equipment due to the difficulty of procuring some electronic components and inventory reductions of products used in office equipment.

Orders received were 862 million yen, down 29.3% year-on-year, and sales were 912 million yen, down 25.9%.

## Fire Pumps

Sales in Japan increased because of a large volume of sales of fire engines and fire pumps to the Ministry of Internal Affairs and Communications and local governments. Outside Japan, sales of fire pumps remained strong in China and South Korea.

Orders received were 2,830 million yen, up 3.1% year-on-year, and sales were 3,001 million yen, up 22.8%.

## (2) Financial Position

### Assets

Total assets amounted to 19,075 million yen at the end of 2023, an increase of 262 million yen or 1.4% compared with 18,813 million yen at the end of 2022. The main reasons were a 502 million yen increase in cash and deposits (up 8.0%), a 253 million yen increase in raw materials (up 16.4%) and a 422 million yen decrease in accounts receivable from completed construction contracts and contract assets (down 23.9%).

### Liabilities

Total liabilities amounted to 6,395 million yen, a decrease of 105 million yen or 1.6% compared with 6,500 million yen at the end of 2022. The main reasons were a 295 million yen decrease in long-term borrowings (down 31.6%) and a 195 million yen increase in provision for product warranties (up 163.2%).

### Net assets

Net assets totaled 12,680 million yen, an increase of 367 million yen or 3.0% compared with 12,312 million yen at the end of 2022. The main reason for increase was a 253 million yen increase in valuation difference on available-for-sale securities (up 47.7%).

## (3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of 2023 increased 1,431 million yen from the end of 2022 to 6,819 million yen.

The cash flow components and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash provided by operating activities totaled 1,114 million yen, an increase of 713 million yen year-on-year. Main factors include profit before income taxes of 589 million yen and a decrease of 565 million yen in trade receivables.

### Cash flows from investing activities

Net cash provided by investing activities totaled 940 million yen, an increase of 1,021 million yen year-on-year. Main factors include net increase in time deposits of 983 million yen.

### Cash flows from financing activities

Net cash used in financing activities totaled 646 million yen, compared with 714 million yen used one year earlier. Main factors include dividends paid of 396 million yen and repayments of long-term borrowings of 295 million yen.

### (Reference) Cash Flow Indicators

	2020	2021	2022	2023
Equity ratio (%)	74.2	63.8	65.4	66.5
Market value-based equity ratio (%)	51.8	48.0	40.9	45.3
Interest-bearing debt to cash flow ratio (years)	0.3	1.8	4.4	1.4
Interest coverage ratio (times)	404.6	70.7	30.0	96.1

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

\* All indices are calculated based on consolidated figures.

\* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding (net of treasury shares) at the end of the period.

\* Interest payments represent interest expenses paid on the consolidated statement of cash flows.

#### **(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years**

The consistent and stable distribution of earnings to shareholders is one of the highest priorities of the Company. The basic policy is to distribute as much earnings as possible to shareholders while taking into consideration the need to retain earnings for increasing the soundness of business operations and fund upcoming business activities.

To maintain the stability of earnings distributions to shareholders, the Company uses dividend on equity (DOE) as a guideline. The policy is to pay aggregate dividends that are approximately 3.5% of shareholders' equity for the purposes of maintaining the stability of dividends while making substantial investments for the growth of corporate value.

The Company's Articles of Incorporation have provisions to pay interim and year-end dividends from surplus as well as to pay a dividend from surplus based on another record date if approved at an extraordinary shareholders meeting.

In accordance with this basic policy, the Company plans to pay a dividend per share of 72 yen for 2023.

Retained earnings will be used for investments that generate future returns for shareholders and further strengthen the infrastructure for business operations.

The dividend for 2024 will be determined in accordance with this basic policy. At this time, the plan is to pay a dividend of 74 yen per share consisting of 37 yen interim and year-end dividends.

#### **(5) Outlook**

The outlook for the economy is expected to remain uncertain because of worldwide monetary tightening, concerns about the outlook for the Chinese economy, the high cost of resources due to turmoil in many regions of the world, the yen's depreciation and other reasons.

Growth of corporate value is a medium to long-term priority of the Group.

By taking actions in accordance with the basic policy explained earlier, the goals for 2024 are sales of 12,790 million yen, operating profit of 907 million yen, ordinary profit of 944 million yen and profit attributable to owners of parent of 508 million yen.

The outlook for business segments is as follows.

In the safety security protection segment, there are activities to generate sales from new sources of demand by targeting factories with a large volume of energy consumption and companies that require a large number of alarm and fire extinguishing systems. Receiving orders for update and maintenance services is another priority. These activities are aimed at building a base for consistent earnings. As a result, we expect the performance of this segment to remain strong.

In the thermal segment, we forecast slow sales in the first half of 2024 mainly because of the lack of growth in the semiconductor sector, which is the major source of demand for hot plates, sensors and other major products of this segment. In the second half, we forecast a recovery in demand, resulting in a strong performance.

In the medical segment, we anticipate the market in Japan for products used with artificial kidney dialysis equipment to remain strong. However, we expect a continuation of challenging conditions in markets outside Japan, which are the main component of this segment, due the outlook for negative effects on shipments of artificial kidney dialysis equipment and associated products of inventory reductions by customers and the

difficulty of procuring parts.

In the printed wiring board assembly segment, the difficulty of procuring semiconductors and other parts used in industrial equipment is expected to continue. Despite this adversity, we forecast a strong performance backed by the recovery of demand for medical and office equipment and by activities for capturing orders for products with added value.

In the fire pumps segment, demand for fire pumps at the national government and local governments is recovering slowly but we forecast a decrease in sales of fire trucks and replacement parts. Outside Japan, we expect a strong performance in part due to signs of an upturn in demand for the products of this segment in China, the primary overseas market of this segment.

## **2. Basic Approach to the Selection of Accounting Standards**

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	2022	2023
	(As of Dec. 31, 2022)	(As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	6,316,751	6,819,624
Notes and accounts receivable-trade	2,037,864	1,782,615
Electronically recorded monetary claims-operating	1,219,146	1,330,956
Accounts receivable from completed construction contracts and contract assets	1,766,471	1,344,241
Securities	-	502,444
Finished goods	527,609	727,770
Work in process	425,536	314,936
Raw materials	1,543,158	1,796,717
Other	115,249	210,768
Allowance for doubtful accounts	(3,899)	(3,899)
Total current assets	13,947,889	14,826,175
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	556,090	556,036
Machinery, equipment and vehicles, net	108,773	109,958
Land	416,718	416,718
Construction in progress	39,525	51,020
Other, net	133,753	158,183
Total property, plant and equipment	1,254,861	1,291,918
Intangible assets		
Goodwill	926,590	810,766
Software	161,828	135,898
Other	7,096	6,221
Total intangible assets	1,095,515	952,886
Investments and other assets		
Investment securities	2,015,209	1,670,353
Deferred tax assets	338,594	188,221
Other	484,005	166,563
Allowance for doubtful accounts	(322,747)	(20,650)
Total investments and other assets	2,515,062	2,004,488
Total non-current assets	4,865,439	4,249,293
Total assets	18,813,328	19,075,468



	(Thousands of yen)	
	2022	2023
	(As of Dec. 31, 2022)	(As of Dec. 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,841,883	1,872,503
Accounts payable for construction contracts	427,671	563,035
Short-term borrowings	550,000	600,000
Current portion of long-term borrowings	295,920	295,920
Income taxes payable	206,922	89,465
Contract liabilities	466,655	460,449
Provision for product warranties	119,972	315,712
Other	578,551	520,275
<b>Total current liabilities</b>	<b>4,487,576</b>	<b>4,717,361</b>
<b>Non-current liabilities</b>		
Long-term borrowings	936,220	640,300
Retirement benefit liability	330,053	232,376
Provision for share awards for directors (and other officers)	7,124	6,658
Asset retirement obligations	23,852	23,852
Provision for loss related to product repair	696,800	759,607
Other	18,883	15,118
<b>Total non-current liabilities</b>	<b>2,012,935</b>	<b>1,677,914</b>
<b>Total liabilities</b>	<b>6,500,512</b>	<b>6,395,275</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	996,600	996,600
Capital surplus	1,460,517	1,460,517
Retained earnings	9,340,161	9,329,785
Treasury shares	(416,416)	(413,653)
<b>Total shareholders' equity</b>	<b>11,380,862</b>	<b>11,373,249</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	531,606	785,366
Foreign currency translation adjustment	418,441	481,633
Remeasurements of defined benefit plans	(18,093)	39,942
<b>Total accumulated other comprehensive income</b>	<b>931,954</b>	<b>1,306,943</b>
<b>Total net assets</b>	<b>12,312,816</b>	<b>12,680,192</b>
<b>Total liabilities and net assets</b>	<b>18,813,328</b>	<b>19,075,468</b>

**(2) Consolidated Statements of Income and Comprehensive Income**  
**(Consolidated Statement of Income)**

	(Thousands of yen)	
	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net sales	12,401,100	12,601,302
Cost of sales	8,355,550	8,590,773
Gross profit	4,045,549	4,010,529
Selling, general and administrative expenses	2,735,409	2,975,503
Operating profit	1,310,139	1,035,025
Non-operating income		
Interest income	19,366	32,980
Dividend income	39,304	48,018
Insurance claim income	7,361	11,308
Dividend income of insurance	12,476	11,734
Foreign exchange gains	64,035	21,059
Other	40,155	18,162
Total non-operating income	182,700	143,262
Non-operating expenses		
Interest expenses	13,383	11,551
Settlement payments	-	5,531
Other	438	1,351
Total non-operating expenses	13,822	18,433
Ordinary profit	1,479,017	1,159,855
Extraordinary income		
Gain on sale of investment securities	33,670	6,388
Total extraordinary income	33,670	6,388
Extraordinary losses		
Provision for loss related to product repair	425,381	577,162
Total extraordinary losses	425,381	577,162
Profit before income taxes	1,087,306	589,081
Income taxes-current	407,780	178,465
Income taxes-deferred	(147,045)	24,708
Total income taxes	260,734	203,173
Profit	826,571	385,907
Profit attributable to owners of parent	826,571	385,907

**(Consolidated Statement of Comprehensive Income)**

	(Thousands of yen)	
	2022	2023
	(Jan. 1, 2022 – Dec. 31, 2022)	(Jan. 1, 2023 – Dec. 31, 2023)
Profit	826,571	385,907
Other comprehensive income		
Valuation difference on available-for-sale securities	(215,218)	253,759
Foreign currency translation adjustment	189,744	63,192
Remeasurements of defined benefit plans, net of tax	(40,338)	58,036
Total other comprehensive income	(65,812)	374,988
Comprehensive income	760,758	760,896
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	760,758	760,896

**(3) Consolidated Statement of Changes in Equity**

2022 (Jan. 1, 2022 – Dec. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	996,600	1,460,517	8,892,891	(425,781)	10,924,227
Changes during period					
Dividends of surplus			(379,302)		(379,302)
Profit attributable to owners of parent			826,571		826,571
Purchase of treasury shares				(72)	(72)
Disposal of treasury shares				9,438	9,438
Net changes in items other than shareholders' equity					
Total changes during period	-	-	447,269	9,365	456,634
Balance at end of period	996,600	1,460,517	9,340,161	(416,416)	11,380,862

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	746,825	228,696	22,245	997,766	11,921,994
Changes during period					
Dividends of surplus					(379,302)
Profit attributable to owners of parent					826,571
Purchase of treasury shares					(72)
Disposal of treasury shares					9,438
Net changes in items other than shareholders' equity	(215,218)	189,744	(40,338)	(65,812)	(65,812)
Total changes during period	(215,218)	189,744	(40,338)	(65,812)	390,822
Balance at end of period	531,606	418,441	(18,093)	931,954	12,312,816

2023 (Jan. 1, 2023 – Dec. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	996,600	1,460,517	9,340,161	(416,416)	11,380,862
Changes during period					
Dividends of surplus			(396,282)		(396,282)
Profit attributable to owners of parent			385,907		385,907
Disposal of treasury shares				2,762	2,762
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(10,375)	2,762	(7,612)
Balance at end of period	996,600	1,460,517	9,329,785	(413,653)	11,373,249

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	531,606	418,441	(18,093)	931,954	12,312,816
Changes during period					
Dividends of surplus					(396,282)
Profit attributable to owners of parent					385,907
Disposal of treasury shares					2,762
Net changes in items other than shareholders' equity	253,759	63,192	58,036	374,988	374,988
Total changes during period	253,759	63,192	58,036	374,988	367,376
Balance at end of period	785,366	481,633	39,942	1,306,943	12,680,192

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,087,306	589,081
Depreciation	236,230	213,116
Amortization of goodwill	115,823	115,823
Increase (decrease) in provision for product warranties	119,972	195,739
Increase (decrease) in allowance for doubtful accounts	(14,538)	(302,097)
Increase (decrease) in retirement benefit liability	(62,770)	(14,026)
Increase (decrease) in provision for share awards for directors (and other officers)	(4,463)	(466)
Increase (decrease) in provision for loss related to product repair	237,613	62,806
Interest and dividend income	(58,670)	(80,998)
Interest expenses	13,383	11,551
Foreign exchange losses (gains)	(24,752)	(16,242)
Loss (gain) on sale of investment securities	(33,670)	(6,388)
Insurance claim income	(7,361)	(11,308)
Surrender value of insurance policies	(8,528)	-
Decrease (increase) in trade receivables	(689,861)	565,828
Decrease (increase) in inventories	201,116	(342,139)
Increase (decrease) in trade payables	(186,265)	165,984
Increase (decrease) in accounts payable-other	(44,721)	30,412
Increase (decrease) in advances received on construction contracts in progress	(455,015)	-
Increase (decrease) in contract liabilities	466,655	(6,206)
Other, net	(53,504)	216,373
Subtotal	833,980	1,386,842
Interest and dividends received	51,333	105,313
Interest paid	(13,388)	(11,597)
Proceeds from insurance income	7,361	11,308
Income taxes paid	(478,102)	(377,415)
Net cash provided by (used in) operating activities	401,184	1,114,451
Cash flows from investing activities		
Payments into time deposits	(1,569,240)	(702,700)
Proceeds from withdrawal of time deposits	1,961,550	1,686,480
Purchase of property, plant and equipment	(291,027)	(177,875)
Purchase of software	(55,149)	(61,340)
Purchase of short-term and long-term investment securities	(186,509)	(15,927)
Proceeds from sale and redemption of short-term and long-term investment securities	44,467	212,408
Purchase of insurance funds	(3,971)	-
Proceeds from cancellation of insurance funds	41,451	-
Proceeds from collection of loans receivable	5,310	6,000
Loan advances	(30,000)	-
Other, net	2,206	(6,365)
Net cash provided by (used in) investing activities	(80,912)	940,679

	(Thousands of yen)	
	2022	2023
	(Jan. 1, 2022 – Dec. 31, 2022)	(Jan. 1, 2023 – Dec. 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	50,000
Repayments of long-term borrowings	(295,920)	(295,920)
Redemption of bonds	(36,000)	-
Purchase of treasury shares	(72)	-
Proceeds from disposal of treasury shares	9,438	2,762
Dividends paid	(379,017)	(396,164)
Other, net	(12,670)	(7,240)
Net cash provided by (used in) financing activities	(714,241)	(646,563)
Effect of exchange rate change on cash and cash equivalents	41,553	23,205
Net increase (decrease) in cash and cash equivalents	(352,416)	1,431,773
Cash and cash equivalents at beginning of period	5,740,268	5,387,851
Cash and cash equivalents at end of period	5,387,851	6,819,624

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Segment and Other Information**

Segment information

## 1. Overview of reportable segments

Segments used for financial reporting are the constituent units of the Company for which separate financial information is available and for which the Management Committee and Board of Directors perform periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has five business units based on product categories: Safety Security Protection, Thermal, Medical, Printed Wiring Board Assembly and Fire Pumps. Each business determines its own strategies and conducts its own operations in Japan and other countries.

Consequently, the Company has five reportable segments: Safety Security Protection, Thermal, Medical, Printed Wiring Board Assembly and Fire Pumps.

Major products and services of reportable segments

Reportable segment	Major products/Services
Safety Security Protection	Fire detection equipment, high-speed fire suppression system HFC-227ea, explosion containment equipment, CO2 fire extinguishing equipment, fire sprinkler systems, maintenance and inspection services
Thermal	Hot plates for semiconductor manufacturing equipment, temperature sensors, digital temperature control units, temperature control units for constant temperature/humidity chambers
Medical	Artificial kidney dialysis equipment
Printed Wiring Board Assembly	Printed circuit board assembly
Fire Pumps	Fire pumps, fire engines, Safety pumps, fully automatic fire extinguishing systems

## 2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for reportable segments

The accounting method used for reportable business segments are generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable business segments are operating profit figures.



## 3. Information related to net sales, profit or loss, assets, liabilities and other items for reportable segments and breakdown of revenue

2022 (Jan. 1, 2022 - Dec. 31, 2022)

(Thousands of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Safety Security Protection	Thermal	Medical	Printed Wiring Board Assembly	Fire Pumps	Total		
Net sales								
Goods or services that are transferred at a point in time	586,067	2,236,554	1,158,523	1,231,306	2,444,363	7,656,814	-	7,656,814
Goods or services that are transferred over a certain period of time	4,744,285	-	-	-	-	4,744,285	-	4,744,285
Revenue from contracts with customers	5,330,352	2,236,554	1,158,523	1,231,306	2,444,363	12,401,100	-	12,401,100
External sales	5,330,352	2,236,554	1,158,523	1,231,306	2,444,363	12,401,100	-	12,401,100
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	5,330,352	2,236,554	1,158,523	1,231,306	2,444,363	12,401,100	-	12,401,100
Segment profit	1,190,232	516,543	53,150	125,306	51,396	1,936,629	(626,490)	1,310,139
Segment assets	3,607,280	1,576,394	703,430	1,233,075	3,394,510	10,514,692	8,298,636	18,813,328
Other items								
Depreciation	41,937	59,357	15,979	47,501	38,625	203,400	32,829	236,230
Amortization of goodwill	-	-	-	-	115,823	115,823	-	115,823
Increase in property, plant and equipment and intangible assets	41,635	224,387	9,323	24,231	29,838	329,417	66,984	396,401

Notes: 1. Adjustments are as follows:

- (1) The adjustment of negative 626,490 thousand yen to segment profit includes corporate expenses which mainly include general and administrative expenses that cannot be attributed to reportable segments.
  - (2) The adjustment to segment assets includes corporate assets of 8,298,636 thousand yen that are not allocated to any of the reportable segments. Corporate assets mainly consist of surplus funds (cash and deposits) at the parent company, long-term investments (investment securities) and assets which belong to the administration department.
  - (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The adjustment to increase in property, plant and equipment and intangible assets includes corporate assets that are not allocated to any of the reportable segments.
2. Segment profit is adjusted with operating profit shown on the consolidated financial statements.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

(Thousands of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Safety Security Protection	Thermal	Medical	Printed Wiring Board Assembly	Fire Pumps	Total		
Net sales								
Goods or services that are transferred at a point in time	689,411	2,555,234	1,291,005	912,211	3,001,033	8,448,896	-	8,448,896
Goods or services that are transferred over a certain period of time	4,152,406	-	-	-	-	4,152,406	-	4,152,406
Revenue from contracts with customers	4,841,818	2,555,234	1,291,005	912,211	3,001,033	12,601,302	-	12,601,302
External sales	4,841,818	2,555,234	1,291,005	912,211	3,001,033	12,601,302	-	12,601,302
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	4,841,818	2,555,234	1,291,005	912,211	3,001,033	12,601,302	-	12,601,302
Segment profit	744,449	542,028	121,278	90,657	203,869	1,702,283	(667,257)	1,035,025
Segment assets	3,055,721	1,381,829	1,092,273	1,153,430	3,467,090	10,150,345	8,925,123	19,075,468
Other items								
Depreciation	48,883	62,909	9,396	18,085	35,207	174,483	38,632	213,116
Amortization of goodwill	-	-	-	-	115,823	115,823	-	115,823
Increase in property, plant and equipment and intangible assets	49,175	94,171	13,000	17,986	44,452	218,786	2,800	221,586

Notes: 1. Adjustments are as follows:

- (1) The adjustment of negative 667,257 thousand yen to segment profit includes corporate expenses which mainly include general and administrative expenses that cannot be attributed to reportable segments.
  - (2) The adjustment to segment assets includes corporate assets of 8,925,123 thousand yen that are not allocated to any of the reportable segments. Corporate assets mainly consist of surplus funds (cash and deposits) at the parent company, long-term investments (investment securities) and assets which belong to the administration department.
  - (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The adjustment to increase in property, plant and equipment and intangible assets includes corporate assets that are not allocated to any of the reportable segments.
2. Segment profit is adjusted with operating profit shown on the consolidated financial statements.

## Related information

2022 (Jan. 1, 2022 – Dec. 31, 2022)

## 1. Information by product or service

Omitted because product and service categories are the same as the reportable segment categories.

## 2. Information by region

## (1) Net sales

(Thousands of yen)			
Japan	Asia	Other	Total
12,094,568	277,761	28,769	12,401,100

Note: Classification of net sales is based on the location of the client and categorized by country or region.

## (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major client

Not applicable.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

## 1. Information by product or service

Omitted because product and service categories are the same as the reportable segment categories.

## 2. Information by region

## (1) Net sales

(Thousands of yen)			
Japan	Asia	Other	Total
12,234,007	344,831	22,464	12,601,302

Note: Classification of net sales is based on the location of the client and categorized by country or region.

## (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major client

Not applicable.

Information related to impairment losses on non-current assets for each reportable segment

2022 (Jan. 1, 2022 – Dec. 31, 2022)

Not applicable.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Not applicable.

Information concerning amortization and unamortized balance of goodwill and negative goodwill by reporting segment

2022 (Jan. 1, 2022 – Dec. 31, 2022)

Amortization for the period and unamortized balance of negative goodwill are as follows.

(Thousands of yen)

	Safety Security Protection	Thermal	Medical	Printed Wiring Board Assembly	Fire Pumps	Elimination or corporate	Total
Balance at end of period	-	-	-	-	926,590	-	926,590

Note: Goodwill amortization is omitted because the same information is presented in segment information.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Amortization for the period and unamortized balance of negative goodwill are as follows.

(Thousands of yen)

	Safety Security Protection	Thermal	Medical	Printed Wiring Board Assembly	Fire Pumps	Elimination or corporate	Total
Balance at end of period	-	-	-	-	810,766	-	810,766

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information concerning gain on negative goodwill by reporting segment

2022 (Jan. 1, 2022 – Dec. 31, 2022)

Not applicable.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Not applicable.

## Per Share Information

(Yen)

	2022 (Jan. 1 – Dec. 31, 2022)	2023 (Jan. 1 – Dec. 31, 2023)
Net assets per share	2,196.73	2,261.30
Net income per share	147.62	68.83
Diluted net income per share	Not shown because there were no outstanding dilutive shares.	Not shown because there were no outstanding dilutive shares

Notes 1: The basis of calculating the net income per share is as follows:

	2022 (Jan. 1 – Dec. 31, 2022)	2023 (Jan. 1 – Dec. 31, 2023)
Profit attributable to owners of parent (Thousands of yen)	826,571	385,907
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	826,571	385,907
Average number of shares outstanding (Thousand shares)	5,599	5,606

2: The Company's stock is held in a trust account at Custody Bank of Japan, Ltd. as trust assets for distributing stock to officers. This stock is included in the treasury shares that are excluded from the number of shares issued at the end of the year for calculating net assets per share. This trust held 56 thousand shares of the Company's stock at the end of 2022 and 53 thousand shares at the end of 2023. For the calculation of net income per share, stock held in this trust is included in treasury shares excluded to determine the average number of shares. These deductions of trust account stock were 61 thousand shares in 2022 and 54 thousand shares in 2023.

## Subsequent Events

### Liquidation of consolidated subsidiaries

On January 26, 2024, the Board of Directors of the Company approved a resolution to liquidate overseas consolidated subsidiaries Fenwal Controls of Japan (H.K.) Limited and Fenwal Consulting (Shenzhen) Co., Ltd.

#### 1. Reason for liquidation

##### 1) Fenwal Controls of Japan (H.K.) Limited

This company was established in November 2004 for the assembly of printed circuit boards. Activities included the procurement of parts and materials, designs, manufacturing, and sales. On September 3, 2019, the Company announced the termination of printed circuit board assembly operations at this company in a release titled “Notice of Termination of Activities at a Subsidiary for Receiving New Orders” (Japanese version only). Subsequently, this company was involved mainly with market surveys in China as part of measures to build a global sales network for Fenwal Controls of Japan. Due to the inadequate performance of this company, its results of operations and other considerations, the decision was made to liquidate this company because of the difficulty of continuing business operations.

##### 2) Fenwal Consulting (Shenzhen) Co., Ltd.

This company was established in October 2011 to perform administrative tasks for Fenwal Controls of Japan (H.K.). The volume of these tasks decreased significantly following the termination in September 2019 of the printed circuit board assembly business of Fenwal Controls of Japan (H.K.). This company will be liquidated in conjunction with the liquidation of Fenwal Controls of Japan (H.K.).

#### 2. Company profiles

Name	Fenwal Controls of Japan (H.K.) Limited
Location	Hong Kong (Special Administrative Region of China)
Representative	Kazunori Watanabe, Director
Business	Market surveys for building sales networks outside Japan and other activities
Capital	80,000 HKD (1,075 thousand yen)
Establishment	November 26, 2004
Investment ratio	Wholly owned by the Company

Name	Fenwal Consulting (Shenzhen) Co., Ltd.
Location	Shenzhen, China
Representative	Kazunori Watanabe, Chairman
Business	Administrative tasks for Fenwal Controls of Japan (H.K.) and sales of fire pumps
Capital	100,000 USD (7,725 thousand yen)
Establishment	October 24, 2011
Investment ratio	Wholly owned by the Company

#### 3. Schedule

The liquidation of these two companies is to take place after the required legal procedures in Hong Kong have been completed.

#### 4. Effect on earnings

The liquidation of these two companies will have only a negligible effect on earnings.

*This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*