

2023

Results of Operations for the Fiscal Year Ended
December 31, 2023

(January 1 to December 31, 2023)

February 21, 2024

Fenwal Controls of Japan, Ltd.

(Tokyo Stock Exchange Standard: 6870)

Contents

Introduction	2
1. Financial Results 2023	4
Results by Segment	8
2. 2024 Consolidated Forecast	15
3. Performance Targets and Dividend Policy	19
4. Appendix	21

Introduction

Vision

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

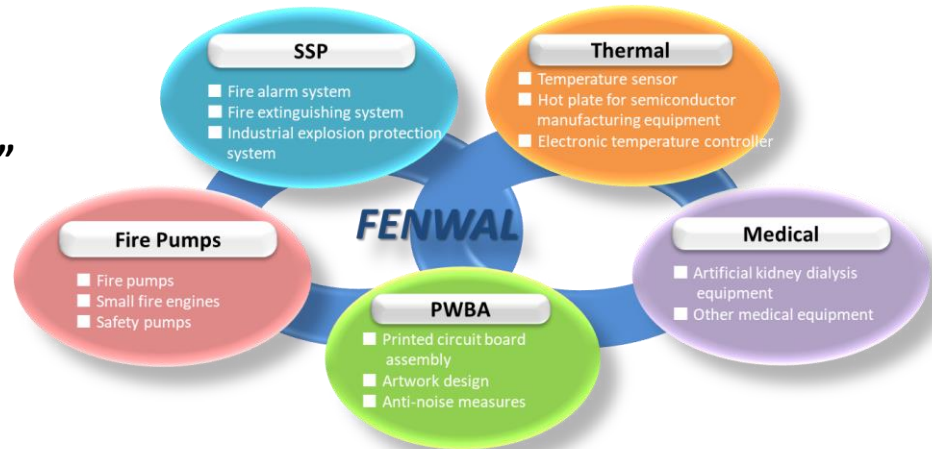
Basic Management Policy

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

- 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.



1. Financial Results for 2023

■ Results of Operations

- Orders received decreased mainly because of the stagnated investments in the semiconductor industry
- Sales remained unchanged due to a significant sales decrease in the SSP and PWBA segments
- Big decrease in earnings due to expenses involving defective fire protection products

■ Major Activities

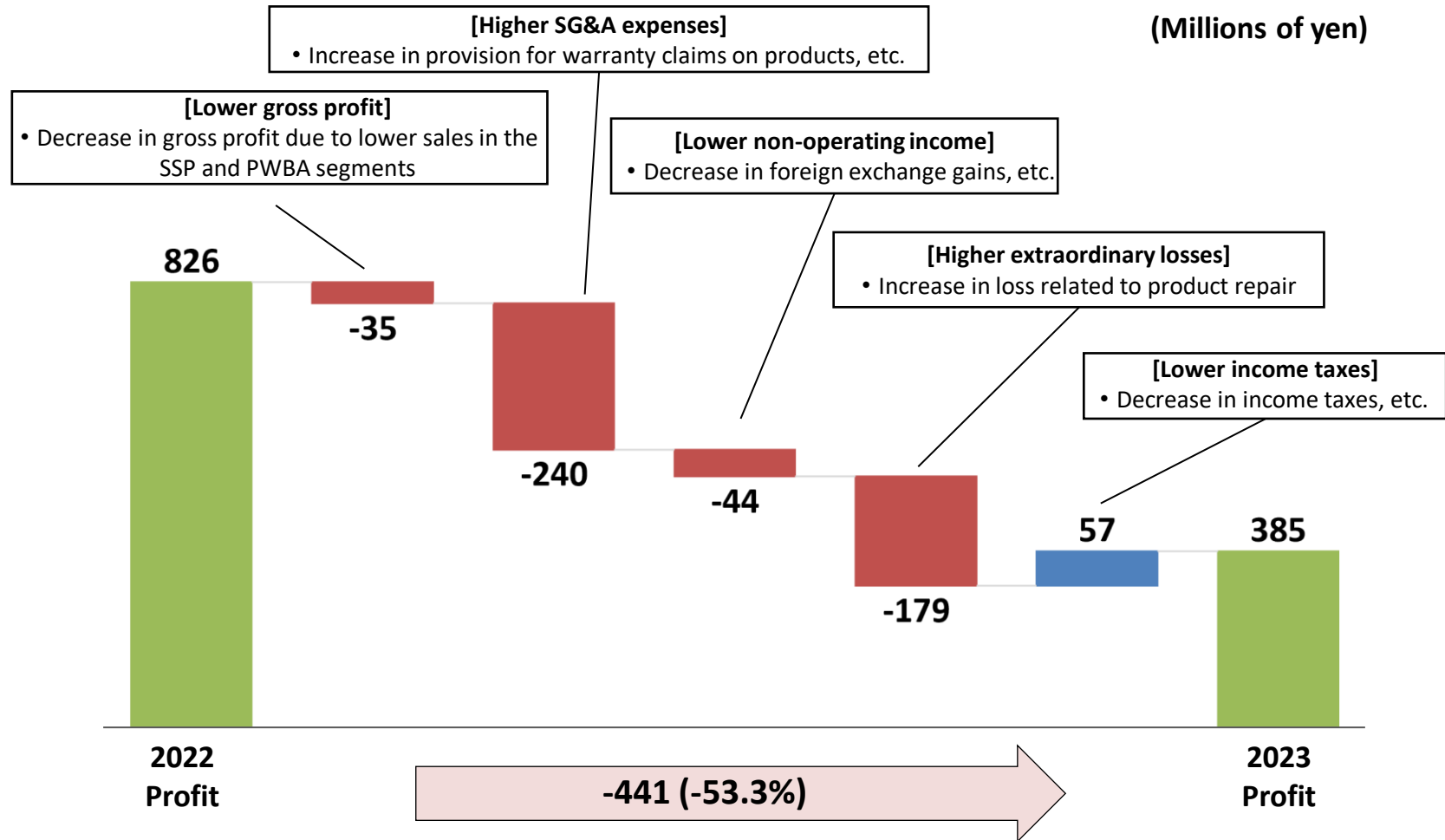
- Reorganization to strengthen cooperation among business units
- Assessment of business feasibility
- Sales activities not restricted by specific market sectors
- Step up training activities for developing human resources

**Earnings decreased significantly:
Net sales were up 1.6% YoY and operating profit was down 21.0% YoY**

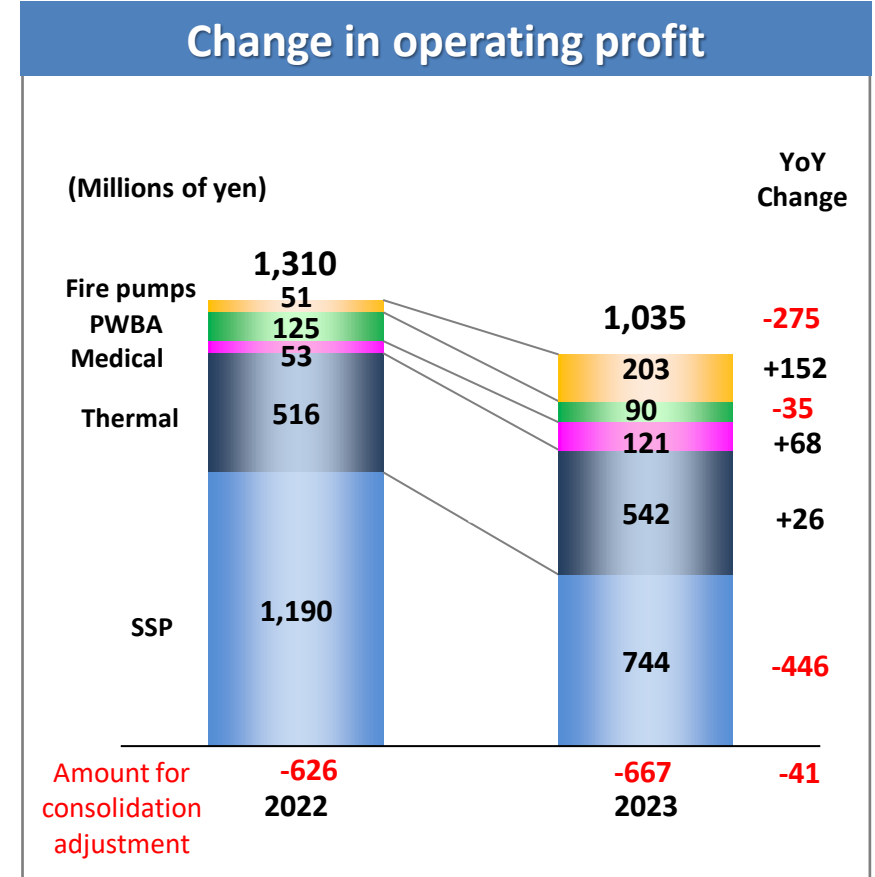
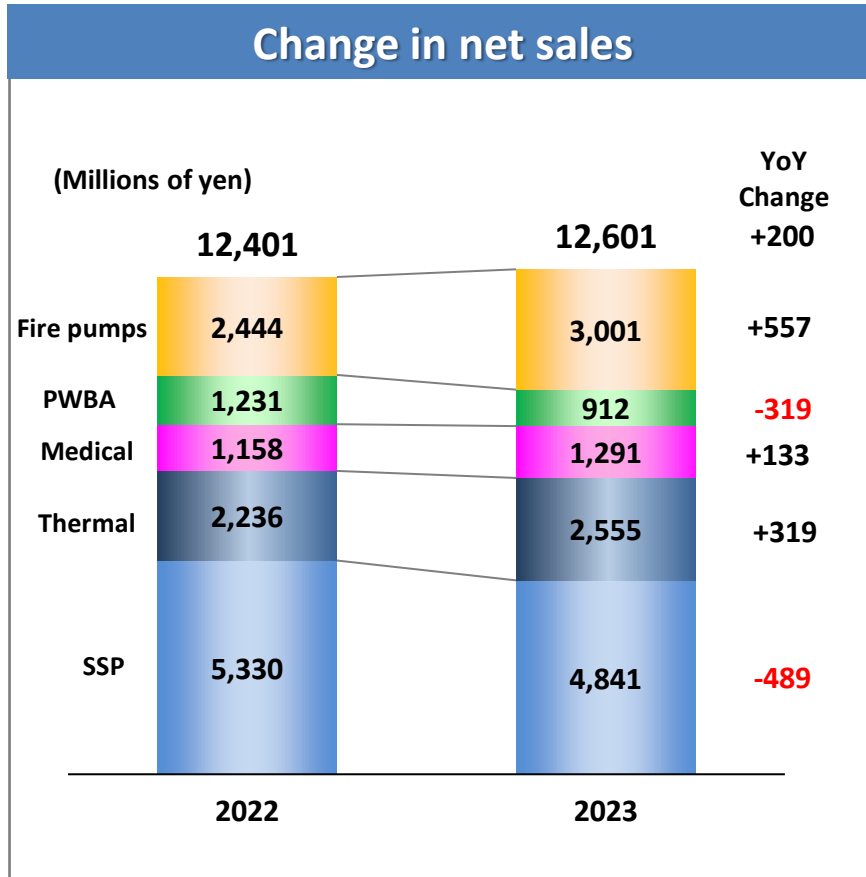
Items	2023	2022		2023 Plan		(Millions of yen)
	Results	Results	YoY	Forecasts	Results vs. Plan	
■ Orders received	11,859	12,914	-8.2%	11,484	3.3%	
■ Net sales	12,601	12,401	1.6%	12,342	2.1%	
■ Gross profit	4,010	4,045	-0.9%	3,746	7.0%	
■ SG&A expenses	2,975	2,735	8.8%	2,898	2.7%	
■ Operating profit	1,035	1,310	-21.0%	850	21.8%	
■ Non-operating income /loss	124	168	-26.1%	82	52.2%	
■ Ordinary profit	1,159	1,479	-21.6%	930	24.7%	
■ Profit	385	826	-53.3%	147	162.5%	
■ Net income per share (Yen)	68.83	147.62	-53.4%	26.22	162.5%	
■ ROE	3.1%	6.8%	-3.7pt	-	-	
■ EBITDA margin	10.8%	13.4%	-2.6pt	-	-	

* Forecasts figures represent the full-year forecasts disclosed on October 31, 2023.

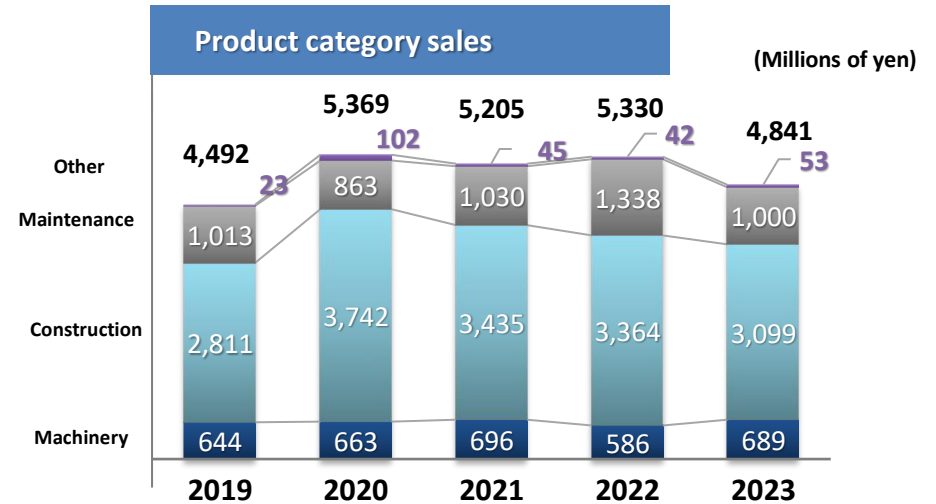
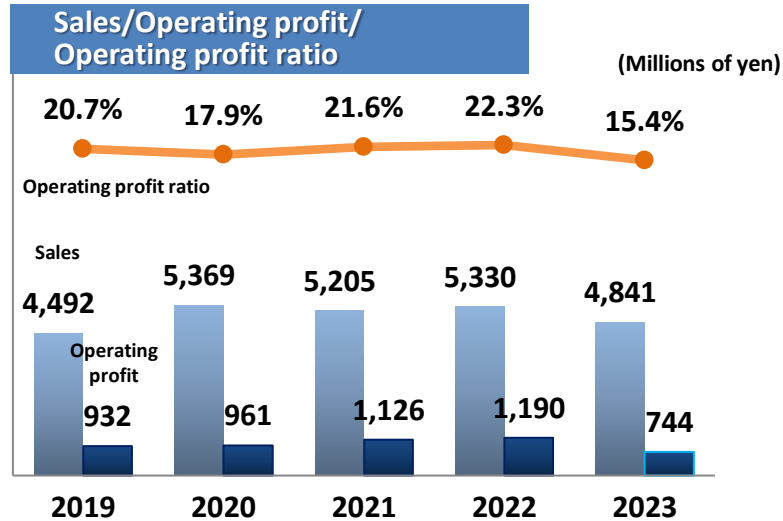
YoY Change in Profit



Results by Segment



Sales and Operating Profit by Segment: SSP



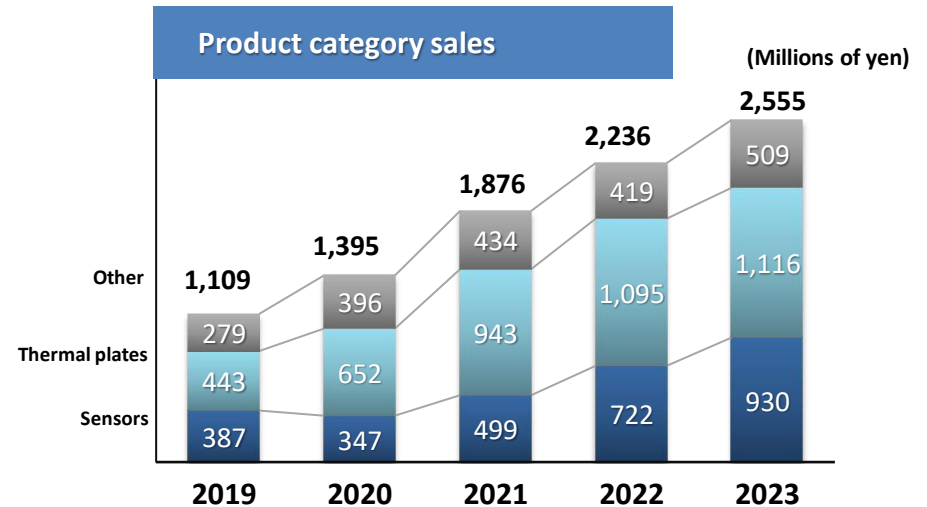
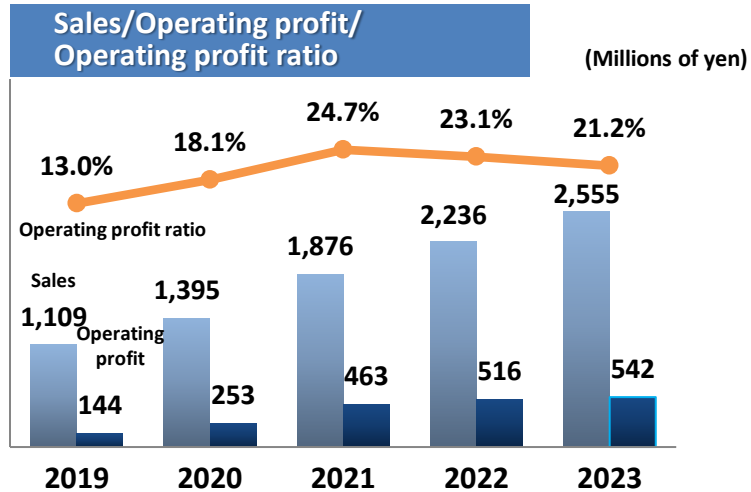
SSP: Lower sales and earnings: Sales were down 9.2% YoY, and operating profit was down 37.5% YoY

Business climate



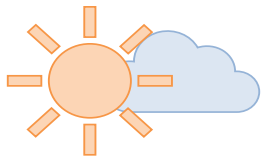
- Sales of alarms and fire extinguishing systems for specific customers decreased
- Sales of container valves decreased due to a decline in demand involving updates and maintenance of halon fire extinguishing systems
- By product category, sales of machinery increased but construction and maintenance sales decreased
- Operating profit was down because of expenses involving defective products

Sales and Operating Profit by Segment: Thermal



Thermal: Higher sales and earnings: Sales were up 14.2% YoY and operating profit was up 5.0% YoY

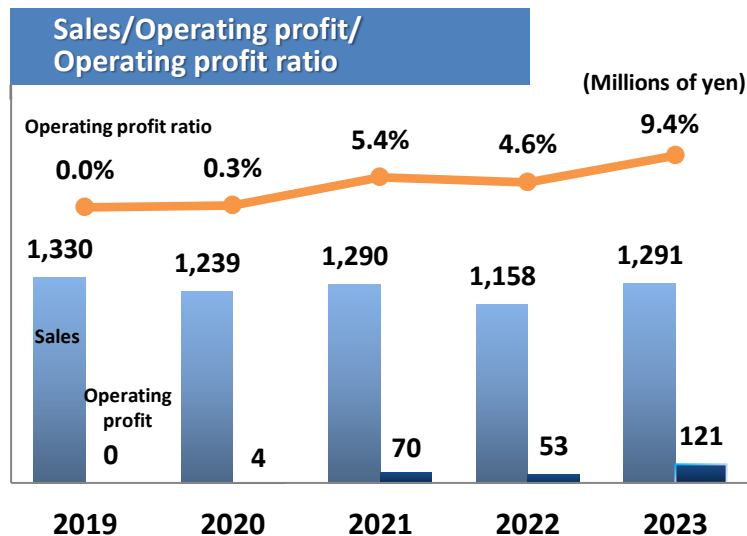
Business climate



- Sales of our core hot plates and sensors used for semiconductor manufacturing equipment remained firm
- The profit ratio declined due to higher cost of raw materials
- Orders received decreased 43.9% YoY due to the stagnation in the market

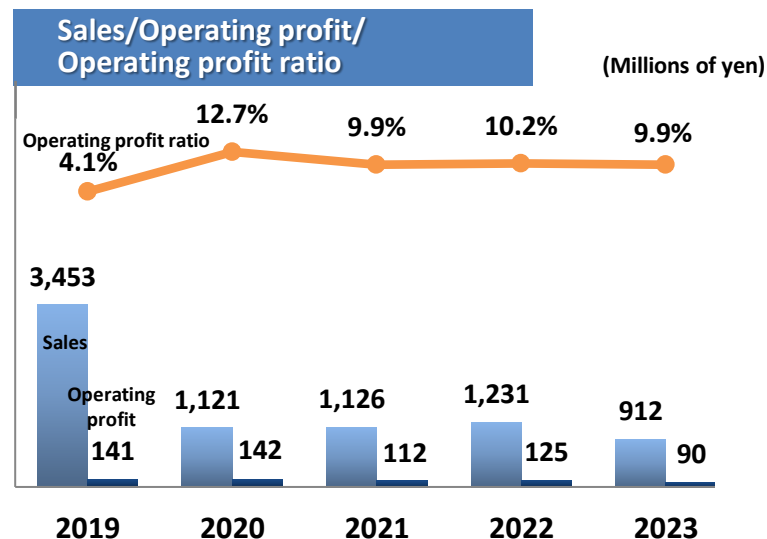
Sales and Operating Profit by Segment: Medical/PWBA FENWAL

Medical



Medical: Sales were up 11.4% YoY and operating profit was up 128.3% YoY

PWBA



PWBA: Sales were down 25.9% YoY and operating profit was down 28.0% YoY

Business climate

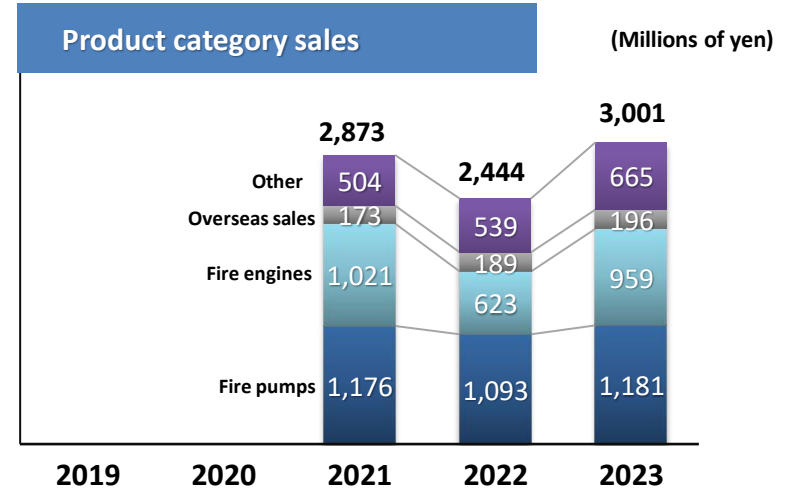
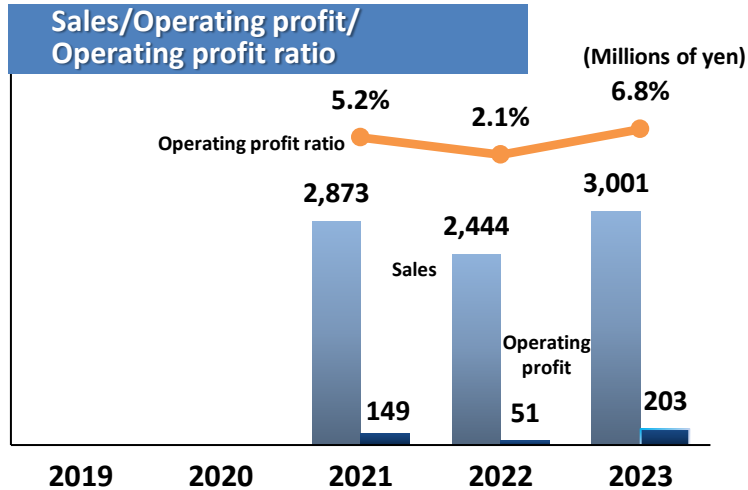


- Sales increased as sales volume recovered slightly

Business climate



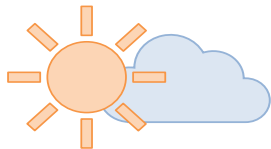
- Sales of the office equipment and industrial equipment decreased significantly mainly due to adjustments of the inventories of customers.



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

Fire Pumps: Higher sales and earnings: Sales were up 22.8% and operating profit increased 298.0% YoY

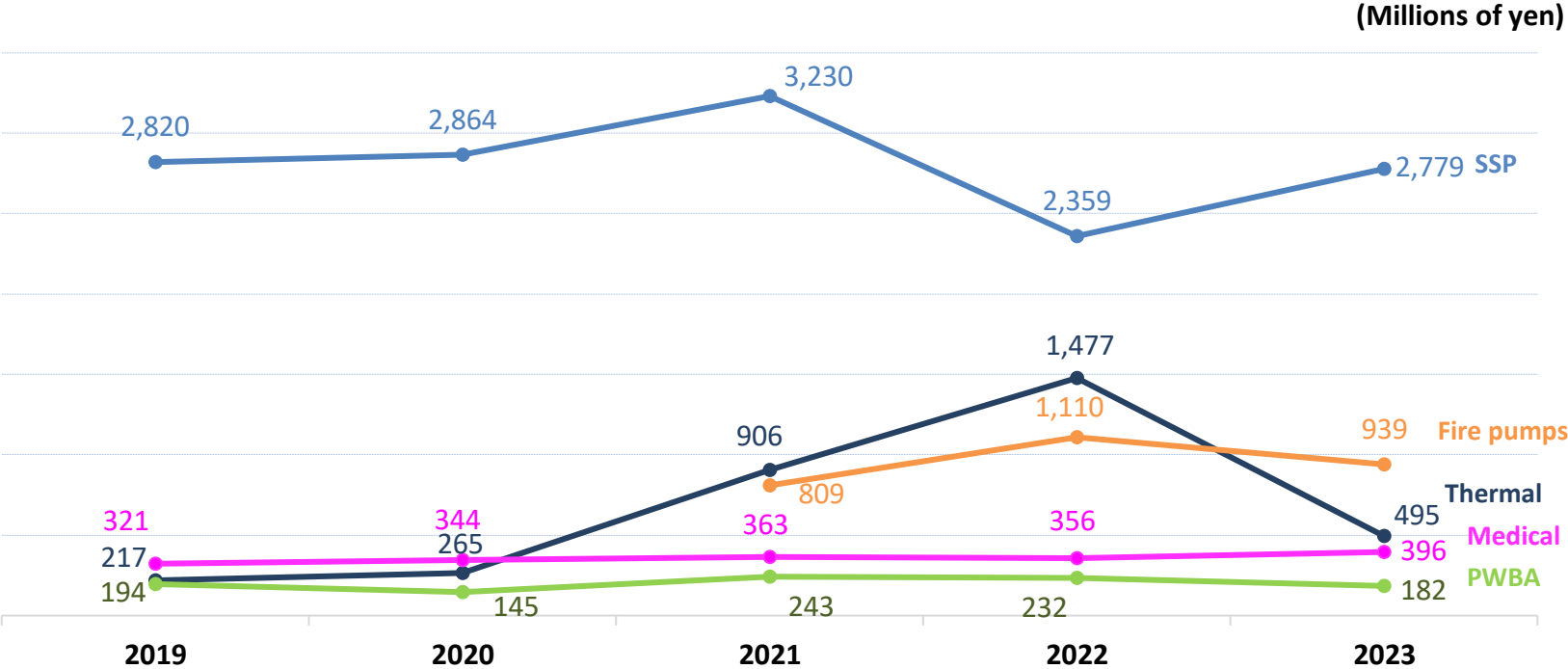
Business climate



- Sales increased because a volume of sales of fire engines and fire pumps in Japan recovered.
- Outside Japan, sales of fire pumps remained strong in China and South Korea.

Order Backlog by Segment

- SSP segment orders increased because of orders for large construction projects designed for specific customers.
- The thermal order backlog returned to the customary level because of shipments of products for which orders were received before the products were available.



2. 2024 Consolidated Forecast

■ Results of Operations

- Forecast lower Thermal and Fire Pump sales but a small increase in net sales due to the outlook for a recovery in sales after the SSP segment defective product problem is resolved
- Earnings are expected to decrease mainly due to higher cost of raw materials

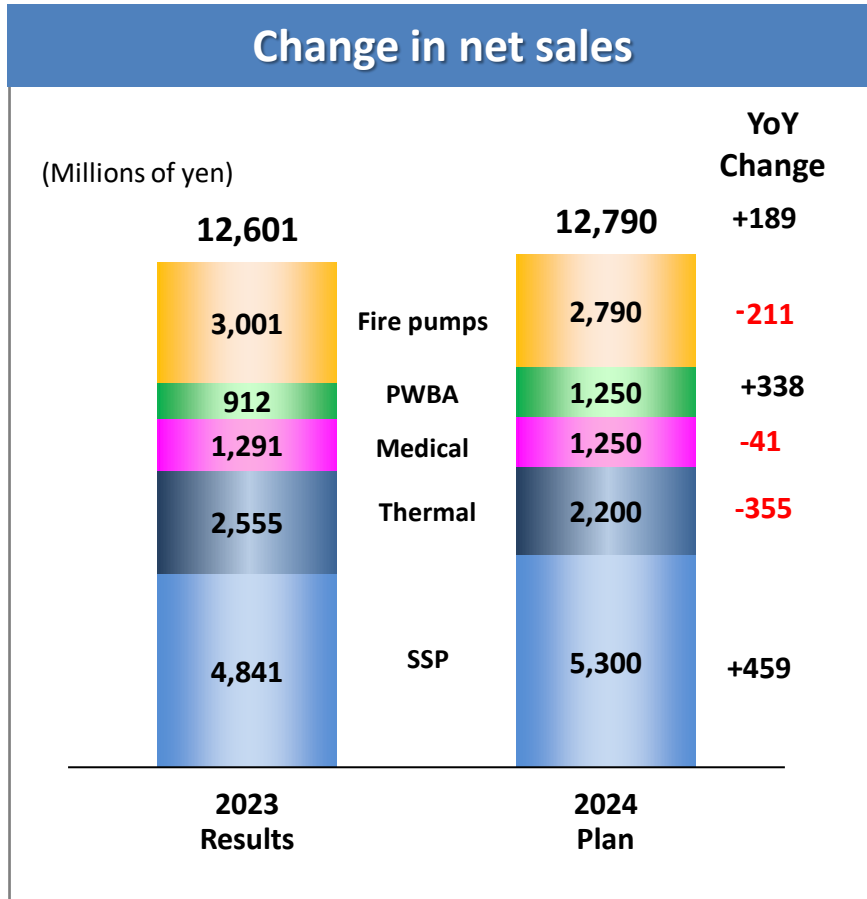
■ Major Activities

- Consolidation of segments for more efficient business operations
- More expenditures for development programs and a stronger quality assurance system
- Many sales activities to expand sales of products and services to more market sectors

Summary of 2024 Consolidated Plan (Higher Sales and Lower Earnings) *FENWAL*

Lower earnings due to higher expenses and only a small increase in sales

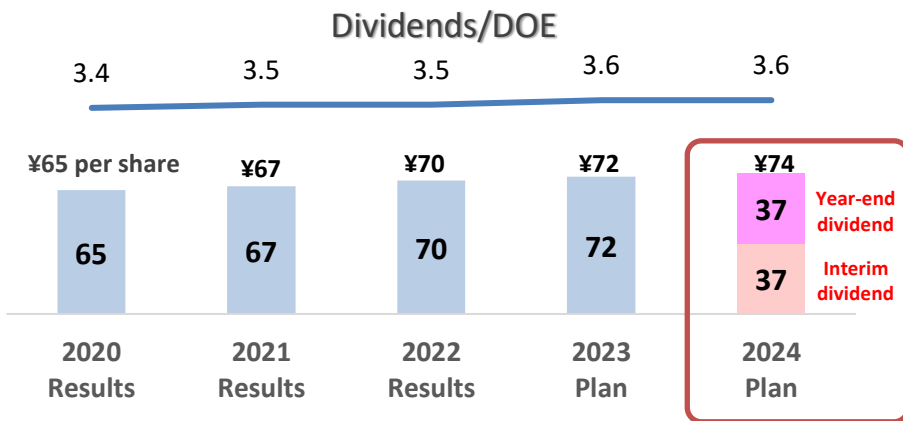
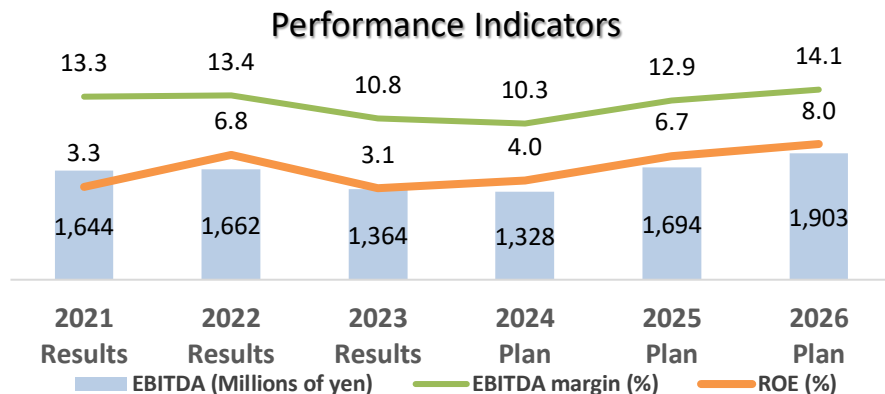
Items	Plan	YoY	
	2024 Forecast	2023 Results	Change (%)
■ Net sales	12,790	12,601	1.5%
■ Gross profit	3,766	4,010	-6.1%
■ SG&A expenses	2,858	2,975	-3.9%
■ Operating profit	907	1,035	-12.3%
■ Non-operating income/loss	37	124	-70.3%
■ Ordinary profit	944	1,159	-18.5%
■ Profit	508	385	31.7%
■ Net income per share (Yen)	90.67	68.83	31.7%
■ ROE	4.1%	3.1%	1.0pt
■ EBITDA margin	10.4%	10.8%	-0.4pt



Forecasting higher sales (Up 1.5% YoY)

- **SSP**
Capture the demand for disaster prevention equipment in key industries and specialized environmental equipment
- **Thermal**
Planning on higher sales of sensors and hot plates used for semiconductor manufacturing equipment and the addition of new market sectors for thermal products
- **Medical**
Targeting demand for equipment by working with other business segments
- **PWBA**
Targeting demand for circuit boards by working with other business segments
- **Fire Pumps**
Increasing sales activities for pumps for water purification equipment, safety pumps and other products

3. Performance Targets and Dividend Policy



Performance Targets

2026 EBITDA margin target: 14%

The performance indicator for earnings is the EBITDA margin due to the emphasis on profitability on a cash flow basis.

2026 ROE target: 8.0%

Increasing the ROE is a goal for all business operations.

Dividend Policy

DOE target: About 3.5%

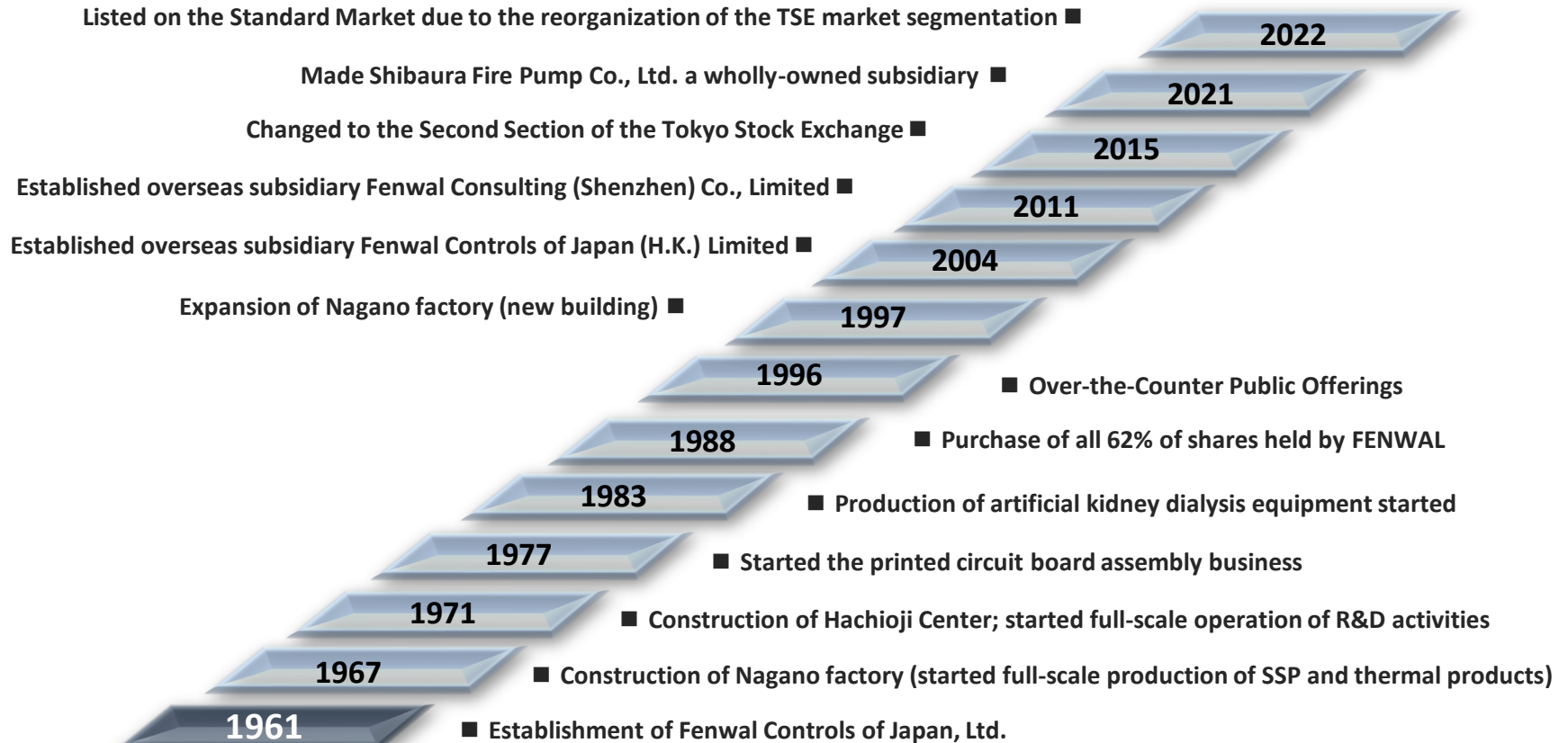
Implement a DOE metric to ensure stable dividends while making proactive investments to enhance corporate value. We will implement a flexible strategy for shareholder returns through share repurchases, taking into account factors such as stock price trends, cash flow, and other relevant considerations.

Start paying an interim dividend to pay annual dividends in a more even manner and to increase the liquidity of our stock

4. Appendix

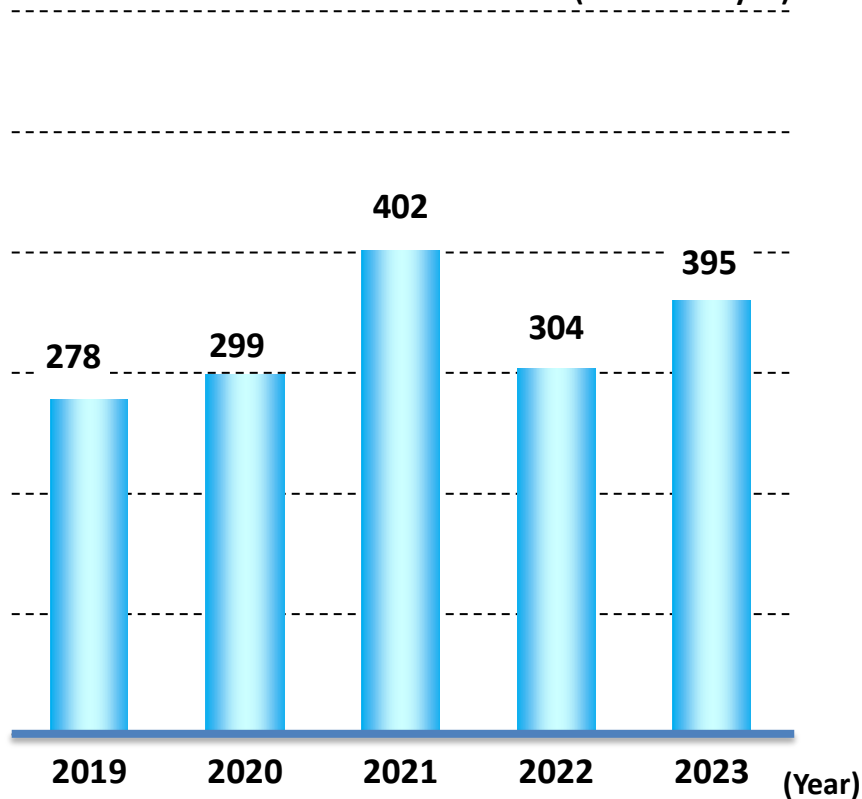
Corporate Profile

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	278 (Consolidated) (As for December 31, 2023)	
Head Office location	1-5-10 Iidabashi, Chiyoda-ku, Tokyo	
Business	SSP (Disaster prevention equipment) Medical (Artificial kidney dialysis equipment) Fire pumps (Subsidiary)	Thermal (Temperature control equipment) PWBA (Printed wiring board assembly)
Major shareholders	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD Sumitomo Mistui Banking Corporation The Hachijuni Bank, Ltd.	SEIKA CORPORATION QUINTET PRIVATE BANK (EUROPE) Yoshida Development, Inc.
Correspondent Banks	Sumitomo Mitsui Banking Corporation Hachijuni Bank, Ltd.	Sumitomo Mitsui Bank, Limited MUFG Bank, Ltd.
Affiliate Subsidiaries	Japan: Shibaura Fire Pump Co., Ltd. Overseas: Fenwal Controls of Japan (H.K.) Limited/Fenwal Consulting (Shenzhen) Co., Ltd	



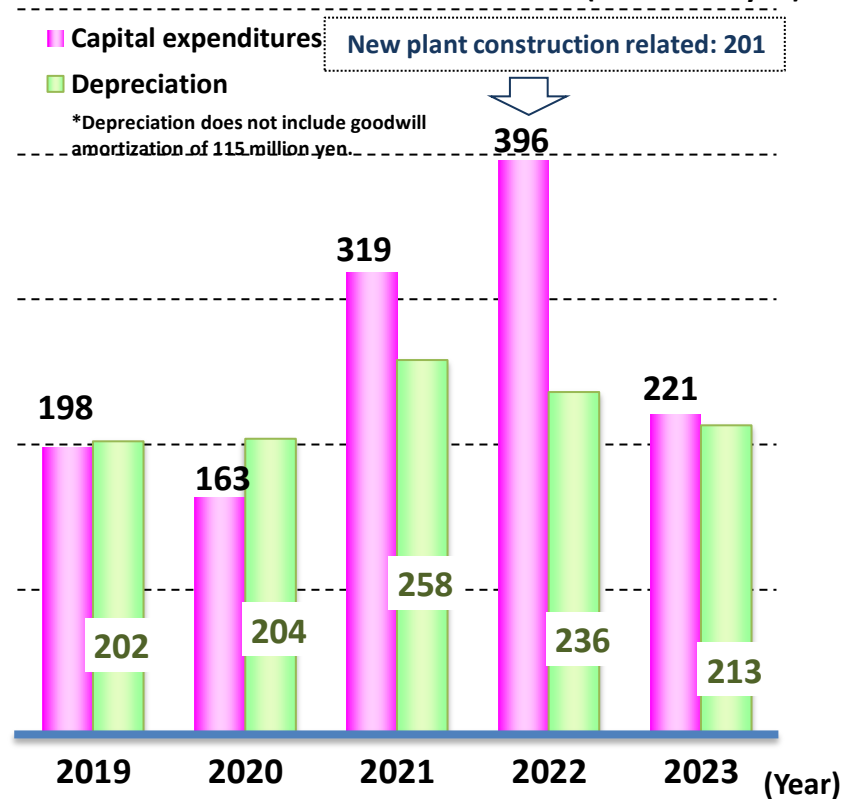
R&D Expenses

(Millions of yen)



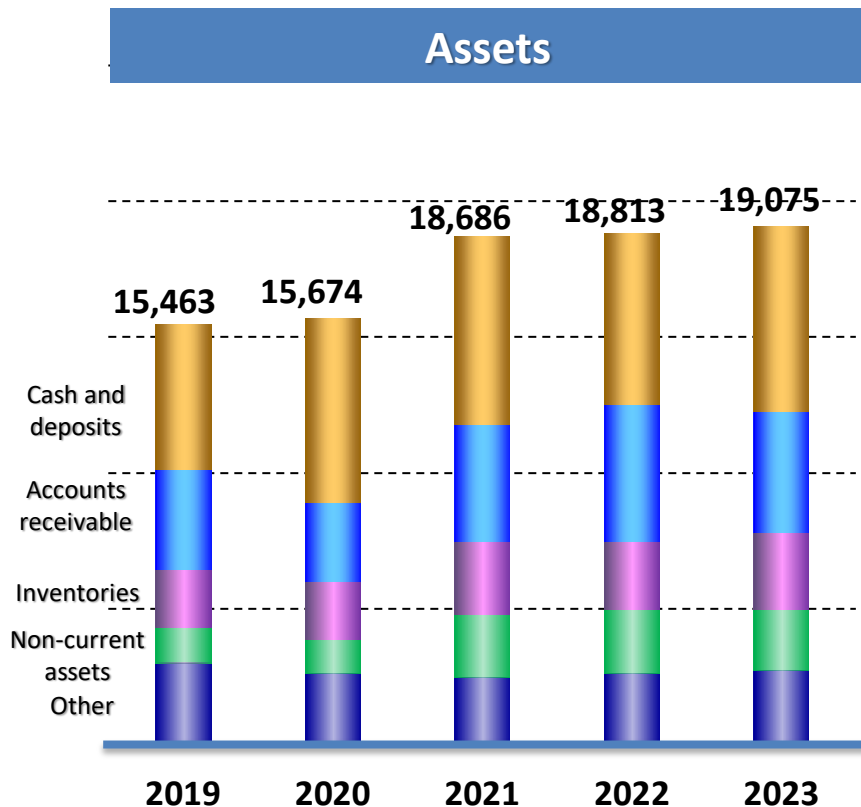
Capital Expenditures and Depreciation

(Millions of yen)



2023 Consolidated Balance Sheet (Assets)

FENWAL

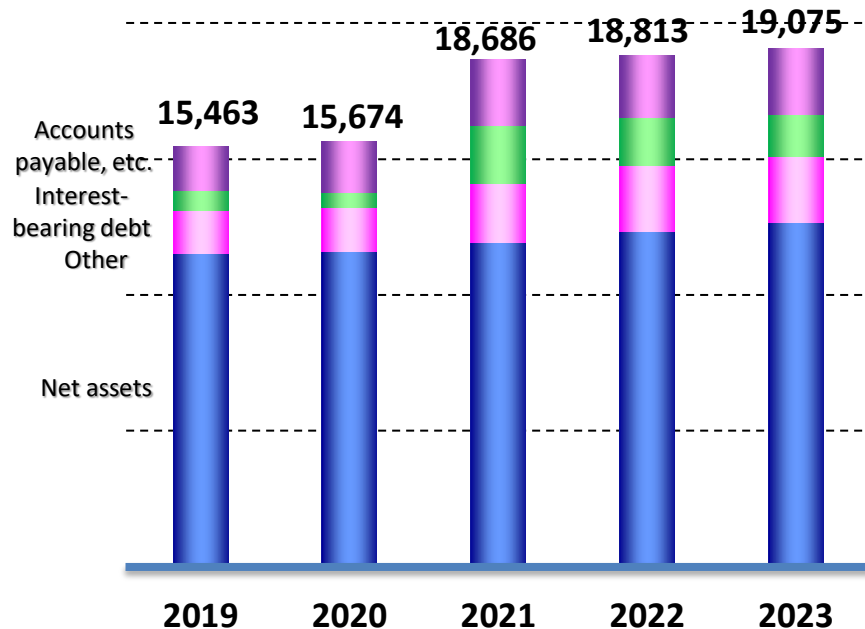


Components of Changes

(Millions of yen)

	2023	End of 2022	YoY change
Cash and deposits	6,819	6,316	8.0%
Accounts receivable	4,457	5,023	-11.3%
Inventories	2,839	2,496	13.7%
Non-current assets	2,244	2,350	-4.5%
Other	2,716	2,628	3.3%
Total	19,075	18,813	1.4%

Liabilities/Net Assets

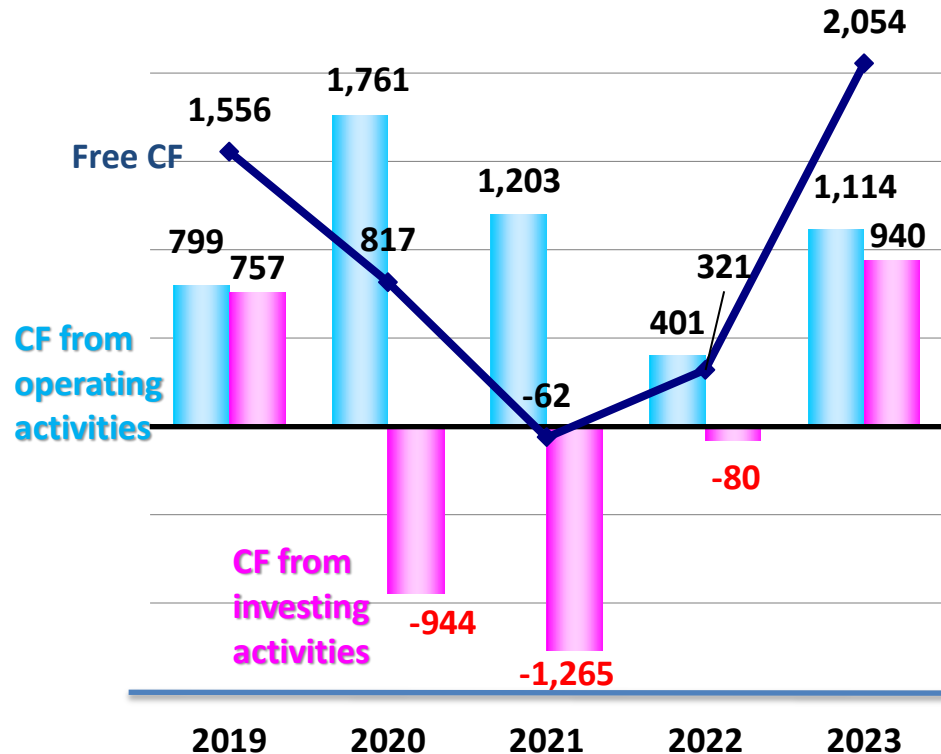


Components of Changes

(Millions of yen)

	2023	End of 2022	YoY change
Accounts payable, etc.	2,435	2,269	7.3%
Interest-bearing debt	1,536	1,782	-13.8%
Other	2,424	2,449	-1.0%
Net assets	12,680	12,312	3.0%
Total	19,075	18,813	1.4%

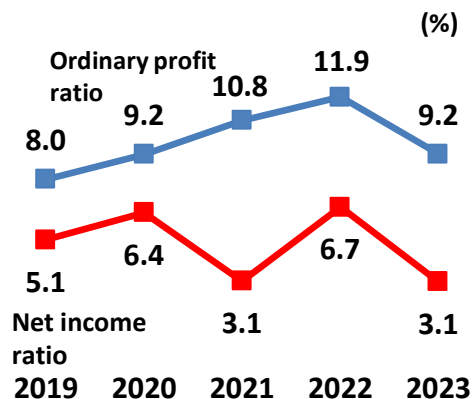
Cash Flows



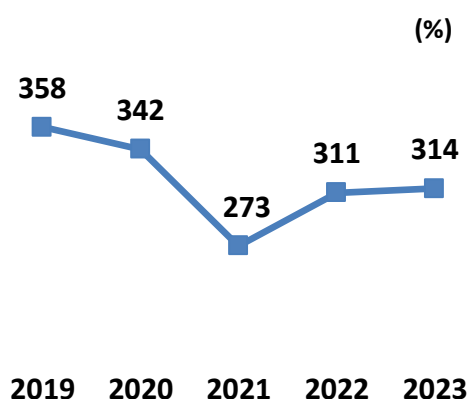
Components of Changes (Millions of yen)

	2023	2022	YoY change
CF from operating activities	1,114	401	177.8%
CF from investing activities	940	-80	-
CF from financing activities	-646	-714	-9.5%
Effect of exchange rate changes	23	41	-43.9%
Total	1,431	-352	-
Cash and cash equivalents at beginning of period	5,387	5,740	-6.1%
Cash and cash equivalents at end of period	6,819	5,387	26.6%
Free CF	2,054	321	-

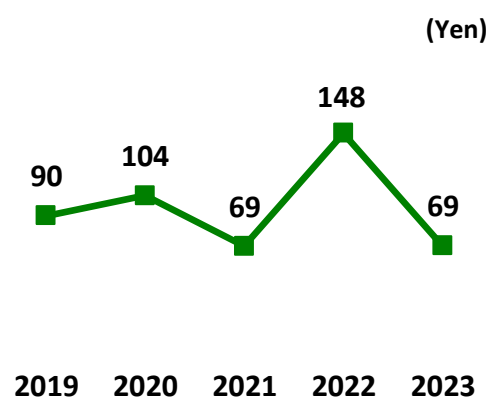
Profit to sales ratio



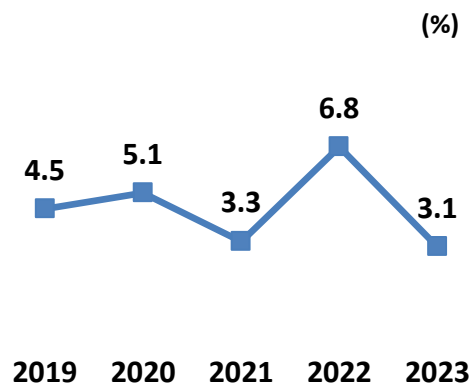
Liquidity ratio



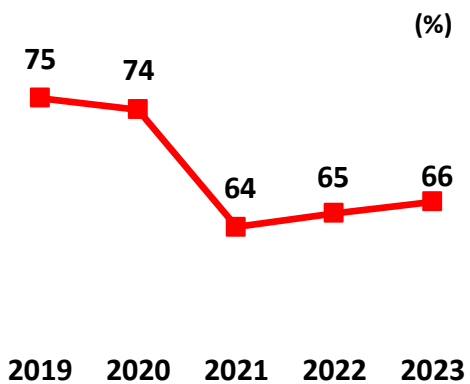
Net income per share



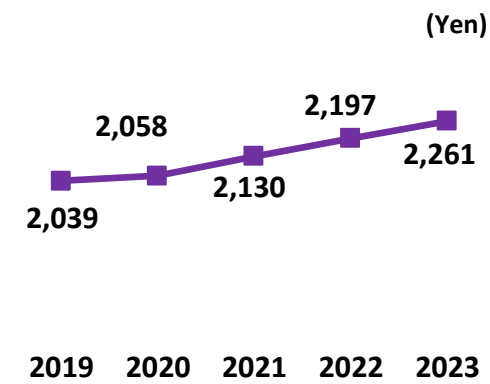
Ratio of net income to shareholders' equity



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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