

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending December 31, 2024
(Three Months Ended March 31, 2024)

[Japanese GAAP]

April 30, 2024

Company name: Fenwal Controls of Japan, Ltd.

Listing: Tokyo Stock Exchange

Stock code: 6870

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Scheduled date of filing of Quarterly Report:

May 9, 2024

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the First Three Months of 2024 (January 1 to March 31, 2024)

(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	%
Three months ended Mar. 31, 2024	3,656	(10.0)	605	(3.2)	662	5.0	554	30.6
Three months ended Mar. 31, 2023	4,064	27.7	624	55.1	630	48.8	424	42.6

Note: Comprehensive income (millions of yen)

Three months ended Mar. 31, 2024: 702 (up 38.2%)

Three months ended Mar. 31, 2023: 508 (up 118.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2024	98.94	-
Three months ended Mar. 31, 2023	75.77	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2024	19,718	12,974	65.8	2,313.84
As of Dec. 31, 2023	19,075	12,680	66.5	2,261.30

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2024: 12,974

As of Dec. 31, 2023: 12,680

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2023	-	0.00	-	72.00	72.00
2024	-				
2024 (forecast)		37.00	-	37.00	74.00

Note: Revisions to the most recently announced dividend forecast: None

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

Note: Revisions to the most recently announced consolidated forecast: None

* Notes

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of shares issued (common stock)

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

As of Mar. 31, 2024:	5,893,000 shares	As of Dec. 31, 2023:	5,893,000 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2024:	285,522 shares	As of Dec. 31, 2023:	285,522 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2024:	5,607,478 shares	Three months ended Mar. 31, 2023:	5,605,274 shares
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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.

* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first three months of 2024, the Japanese economy continued to be uncertain, reflecting the impact of global monetary tightening, concerns about the future of the Chinese economy, soaring resource prices associated with the international situation, and the depreciation of the yen. Nonetheless, the economy remained on a gradual recovery trend thanks to the normalization of economic activities.

In this environment, orders received posted a year-on-year increase due to orders received by the SSP segment for large projects, while net sales decreased year on year, mainly in the thermal segment, because of the stagnation of the semiconductor market.

As a result, orders received amounted to 2,863 million yen, up 8.1% year-on-year, and net sales were 3,656 million yen, down 10.0%.

In terms of profit, operating profit was 605 million yen, down 3.2% year-on-year, due to a decline in gross profit associated with rising costs, and ordinary profit was 662 million yen, up 5.0%, reflecting an increase in foreign exchange gains due to the depreciation of the yen. Profit attributable to owners of parent was 554 million yen, up 30.6%, due to the recognition of income taxes-deferred of -126 million yen.

Business segment performance was as follows:

Safety Security Protection (SSP)

In this segment, sales of sensors and other products and sales of container valves of halon fire extinguishing systems declined given inventory adjustments by customers and stagnant demand involving updates and maintenance of equipment. However, orders increased as new construction projects including gas fire extinguishing systems remained strong.

As a result, orders received were 1,426 million yen, up 19.9% year-on-year, and sales were 1,387 million yen, down 6.8%.

Regarding the future outlook, we expect that the results of this segment will remain firm, despite concerns about the procurement of parts and materials for both new construction projects and equipment sales. In addition, given that large orders are expected to be received for new construction projects such as regional redevelopment, we will focus on sales activities aimed at winning orders.

The development work on updated versions of abnormality detection equipment inside devices has ended. However, the development work on updated versions of disaster prevention control panels and control units is continuing.

Thermal

Sales of sensors used in semiconductor manufacturing equipment, the main category of this segment, decreased due to a sense of stagnation in capital investment centered on the memory device and advanced logic sectors in the semiconductor market. On the other hand, orders increased, reflecting signs of a recovery in demand for hot plates used in semiconductor manufacturing equipment.

As a result, orders received were 466 million yen, up 3.1% year-on-year, and sales were 510 million yen, down 27.7%.

Regarding the future outlook, we expect that the semiconductor market, which is the main source of demand for our main products, will emerge from the adjustment phase in the second half of fiscal 2024, and expect the business performance of this segment to remain strong, given the expected recovery in demand for sensors.

We are proceeding with the development of hot plates designed for new functions and new performance, and the development work on updated versions of existing products such as temperature control units and thermos switches.

Medical

Although sales increased with the recovery in the sales volume of artificial kidney dialysis equipment and associated products outside Japan, the major products in this segment, orders declined mainly due to inventory adjustments by customers.

As a result, orders received were 240 million yen, down 29.3% year-on-year, and sales were 289 million yen, up 9.8%.

We expect artificial kidney dialysis equipment outside Japan, the major products in this segment, and associated products to remain firm.

In terms of development, we have initiated further functional improvements to meet the needs in the medical field and improve convenience, and we are continuing the development of software and elemental components.

Printed Wiring Board Assembly (PWBA)

In this segment, orders for products used in office equipment and products for industrial equipment increased as the end of inventory adjustments by customers has come into sight.

As a result, orders received were 241 million yen, up 9.4% year-on-year, and sales were 230 million yen, up 0.8%.

Regarding the future outlook, we expect that this segment will continue to perform solidly, given that demand for products used in medical equipment is on a recovery trend.

Fire Pumps

Sales in Japan decreased as sales of fire engines and fire pumps to the national and local governments did not grow. However, orders increased mainly due to firm competitive bids for fire pumps in the Chinese market.

As a result, orders received were 488 million yen, up 9.4% year-on-year, and sales were 1,238 million yen, down 10.0%.

In Japan, although the fire department budgets of national and local governments are showing a gradual recovery trend, we expect the future to remain uncertain as the supply of base vehicles for fire engines remains unstable.

In terms of development, given that the development of new models of water-cooled fire pumps has been completed, we will begin the development of derivative models of new water-cooled fire pump models in the future.

(2) Explanation of Financial Position

Total assets amounted to 19,718 million yen at the end of the first quarter of 2024, an increase of 642 million yen or 3.4% compared with 19,075 million yen at the end of 2023. The main reasons were a 417 million yen increase in investment securities (up 25.0%) and a 284 million yen increase in notes and accounts receivable-trade (up 16.0%).

Total liabilities amounted to 6,743 million yen, an increase of 347 million yen or 5.4% compared with 6,395 million yen at the end of 2023. The main reasons were a 285 million yen increase in notes and accounts payable-trade (up 15.3%) and a 121 million yen increase in income taxes payable (up 136.1%), as well as a 109 million yen decrease in provision for loss related to product repair (down 14.4%).

Net assets totaled 12,974 million yen, an increase of 294 million yen or 2.3% compared with 12,680 million yen at the end of 2023. Major factors included a 290 million yen increase in valuation difference on available-for-sale securities (up 37.0%).

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated earnings forecast for 2024, which was disclosed on February 9, 2024.

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

(Thousands of yen)

	2023 (As of Dec. 31, 2023)	First quarter of 2024 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	6,819,624	6,611,396
Notes and accounts receivable-trade	1,782,615	2,067,178
Electronically recorded monetary claims-operating	1,330,956	1,598,161
Accounts receivable from completed construction contracts and contract assets	1,344,241	1,090,560
Securities	502,444	501,591
Finished goods	727,770	757,107
Work in process	314,936	323,499
Raw materials	1,796,717	1,884,075
Other	210,768	193,703
Allowance for doubtful accounts	(3,899)	(3,899)
Total current assets	14,826,175	15,023,374
Non-current assets		
Property, plant and equipment	1,291,918	1,496,538
Intangible assets		
Goodwill	810,766	781,810
Other	142,119	134,371
Total intangible assets	952,886	916,182
Investments and other assets		
Investment securities	1,670,353	2,087,395
Other	354,784	215,253
Allowance for doubtful accounts	(20,650)	(20,650)
Total investments and other assets	2,004,488	2,281,998
Total non-current assets	4,249,293	4,694,719
Total assets	19,075,468	19,718,094
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,872,503	2,158,124
Accounts payable for construction contracts	563,035	579,677
Short-term borrowings	600,000	700,000
Current portion of long-term borrowings	295,920	295,920
Income taxes payable	89,465	211,202
Provision for bonuses	-	96,219
Provision for bonuses for directors (and other officers)	-	1,875
Provision for product warranties	315,712	294,527
Other	980,724	900,429
Total current liabilities	4,717,361	5,237,975
Non-current liabilities		
Long-term borrowings	640,300	566,320
Provision for share awards for directors (and other officers)	6,658	7,486
Retirement benefit liability	232,376	219,754
Asset retirement obligations	23,852	23,852
Provision for loss related to product repair	759,607	650,172
Other	15,118	37,710
Total non-current liabilities	1,677,914	1,505,296
Total liabilities	6,395,275	6,743,272

	2023 (As of Dec. 31, 2023)	First quarter of 2024 (As of Mar. 31, 2024)
Net assets		
Shareholders' equity		
Share capital	996,600	996,600
Capital surplus	1,460,517	1,460,517
Retained earnings	9,329,785	9,476,970
Treasury shares	(413,653)	(413,653)
Total shareholders' equity	11,373,249	11,520,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	785,366	1,075,807
Foreign currency translation adjustment	481,633	341,302
Remeasurements of defined benefit plans	39,942	37,277
Total accumulated other comprehensive income	1,306,943	1,454,387
Total net assets	12,680,192	12,974,821
Total liabilities and net assets	19,075,468	19,718,094

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(For the Three-month Period)

	(Thousands of yen)	
	First three months of 2023 (Jan. 1 - Mar. 31, 2023)	First three months of 2024 (Jan. 1 - Mar. 31, 2024)
Net sales	4,064,240	3,656,955
Cost of sales	2,785,810	2,402,767
Gross profit	1,278,430	1,254,188
Selling, general and administrative expenses	653,528	649,117
Operating profit	624,901	605,070
Non-operating income		
Interest income	8,232	318
Foreign exchange gains	76	57,050
Other	1,235	3,299
Total non-operating income	9,543	60,668
Non-operating expenses		
Interest expenses	3,043	2,607
Other	431	431
Total non-operating expenses	3,475	3,039
Ordinary profit	630,969	662,699
Extraordinary income		
Gain on sale of investment securities	6,388	-
Total extraordinary income	6,388	-
Extraordinary losses		
Provision for loss related to product repair	-	25,146
Total extraordinary losses	-	25,146
Profit before income taxes	637,357	637,553
Income taxes-current	132,320	198,482
Income taxes-deferred	80,339	(115,718)
Total income taxes	212,660	82,764
Profit	424,697	554,789
Profit attributable to owners of parent	424,697	554,789

(Quarterly Consolidated Statement of Comprehensive Income)**(For the Three-month Period)**

(Thousands of yen)

	First three months of 2023 (Jan. 1 - Mar. 31, 2023)	First three months of 2024 (Jan. 1 - Mar. 31, 2024)
Profit	424,697	554,789
Other comprehensive income		
Valuation difference on available-for-sale securities	72,314	290,441
Foreign currency translation adjustment	8,398	(140,331)
Remeasurements of defined benefit plans, net of tax	2,892	(2,665)
Total other comprehensive income	83,605	147,444
Comprehensive income	508,302	702,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	508,302	702,233

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment Information

I First three months of 2023 (Jan. 1– Mar. 31, 2023)

Information related to net sales and profit or loss for each reportable segment and breakdown of revenue

(Thousands of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (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	213,386	705,717	263,818	229,149	1,376,363	2,788,435	-	2,788,435
Goods or services that are transferred over a certain period of time	1,275,805	-	-	-	-	1,275,805	-	1,275,805
Revenue from contracts with customers	1,489,191	705,717	263,818	229,149	1,376,363	4,064,240	-	4,064,240
Other revenue	-	-	-	-	-	-	-	-
External sales	1,489,191	705,717	263,818	229,149	1,376,363	4,064,240	-	4,064,240
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	1,489,191	705,717	263,818	229,149	1,376,363	4,064,240	-	4,064,240
Segment profit	351,072	165,777	24,952	23,363	199,334	764,499	(139,597)	624,901

Notes: 1. The adjustment of negative 139,597 thousand yen to segment profit includes corporate expenses related to the administration division that cannot be attributed to any reportable segments.

2. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

II First three months of 2024 (Jan. 1– Mar. 31, 2024)

Information related to net sales and profit or loss for each reportable segment and breakdown of revenue

(Thousands of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (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	160,401	510,431	289,565	230,888	1,238,479	2,429,766	-	2,429,766
Goods or services that are transferred over a certain period of time	1,227,188	-	-	-	-	1,227,188	-	1,227,188
Revenue from contracts with customers	1,387,590	510,431	289,565	230,888	1,238,479	3,656,955	-	3,656,955
Other revenue	-	-	-	-	-	-	-	-
External sales	1,387,590	510,431	289,565	230,888	1,238,479	3,656,955	-	3,656,955
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	1,387,590	510,431	289,565	230,888	1,238,479	3,656,955	-	3,656,955
Segment profit	474,310	114,141	21,657	5,990	144,055	760,155	(155,084)	605,070

Notes: 1. The adjustment of negative 155,084 thousand yen to segment profit includes corporate expenses related to the administration division that cannot be attributed to any reportable segments.

2. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

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.