

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending December 31, 2024
(Nine Months Ended September 30, 2024)

[Japanese GAAP]

October 31, 2024

Company name: Fenwal Controls of Japan, Ltd. Listing: Tokyo Stock Exchange
Stock code: 6870 URL: <https://www.fenwal.co.jp/>
Representative: Yoshinobu Nakano, President and Representative Director
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Scheduled date of payment of dividend: -
Preparation of supplementary materials for financial results: None
Holding of financial results meeting: None

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

1. Consolidated Financial Results for the First Nine Months of 2024 (January 1 to September 30, 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	%
Nine months ended Sep. 30, 2024	8,882	(2.2)	969	37.4	1,018	27.1	851	-
Nine months ended Sep. 30, 2023	9,083	6.8	705	19.7	801	9.9	46	(77.1)

Note: Comprehensive income (millions of yen) Nine months ended Sep. 30, 2024: 982 (up 186.6%)
Nine months ended Sep. 30, 2023: 342 (up 57.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2024	151.90	-
Nine months ended Sep. 30, 2023	8.30	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2024	18,772	13,045	69.5	2,326.43
As of Dec. 31, 2023	19,075	12,680	66.5	2,261.30

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2024: 13,045 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	-	37.00	-	-	-
2024 (forecast)	-	-	-	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) Significant changes in the scope of consolidation during the period: 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 Sep. 30, 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 Sep. 30, 2024:	285,522 shares	As of Dec. 31, 2023:	285,522 shares
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3) Average number of shares during the period

Nine months ended Sep. 30, 2024:	5,607,478 shares	Nine months ended Sep. 30, 2023:	5,606,652 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.

* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* 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 nine months of 2024, the Japanese economy continued to be uncertain, reflecting the impact of ongoing high interest rates in the US and Europe, concerns about the future of the Chinese economy, continued increase in the price of resources associated with the international situation, and the depreciation of the yen. Nonetheless, the economy remained on a gradual recovery trend thanks to the growth of capital investment based on strong corporate revenues and the improvement of the employment and income situations.

In this environment, orders received decreased year-on-year, mainly due to the stagnation of new projects in the SSP segment despite large orders received by the fire pump segment for fire engines. Net sales also dropped year-on-year as a result mainly of a plunge in shipments of sensors in the thermal segment.

As a result, orders received were 9,340 million yen, down 0.5% year-on-year, and sales were 8,882 million yen, down 2.2%.

In terms of profit, operating profit was 969 million yen, up 37.4% year-on-year, due in part to an increase in gross profit as a result primarily of the completion of large construction projects. Ordinary profit was 1,018 million yen, up 27.1% year-on-year, and profit attributable to owners of parent was 851 million yen compared with 46 million yen one year earlier.

Business segment performance was as follows:

Safety Security Protection (SSP)

Orders received in this segment decreased principally as new orders from existing customers for large renovation projects ended. Meanwhile, sales rose thanks to the completion of large projects such as halon fire extinguishing facilities, which had been stagnant.

As a result, orders received were 3,467 million yen, down 17.0% year-on-year, and sales were 3,811 million yen, up 7.6%.

Regarding the future outlook, we expect that the amount of orders received to remain challenging, although we anticipate a recovery in settings for receiving orders in equipment sales and an increase in safety measure projects at plants. We expect that sales will remain low for the time being due to a drop in orders received.

As for the progress of development, we are continuing to develop new models of receivers and detectors. The development process has been completed for new models in the control unit line.

Thermal

In this segment, orders received increased, mainly for hot plates, because of strong demand for AI-related products in semiconductor manufacturing equipment market. However, sales of sensors used in semiconductor manufacturing equipment, one of our mainstay products, decreased due to a decrease in shipments following customers' inventory adjustment.

As a result, orders received were 1,447 million yen, up 20.3% year-on-year, and sales were 1,394 million yen, down 28.2%.

Regarding the future outlook, we expect that business performance will remain strong due to an increase in hot plate shipments in view of the continuing demand related to AI and receiving orders through sales strategies focused on a limited number of sensor models.

As for development, we are working to develop hot plates to provide functions and performance that are in line with the needs of customers and the market. We are also continuing development efforts to update existing products in the temperature control unit and thermos switch categories.

Medical

In this segment, sales increased due to shipments of our mainstay product, i.e., artificial kidney dialysis equipment and associated products for overseas markets surpassing projections. Orders received decreased because customers adjusted inventories in reaction to the high level of shipments above.

As a result, orders received were 1,071 million yen, down 4.2% year-on-year, and sales were 976 million yen, up 17.0%.

In our future outlook, we are specifically discussing the termination of the agreement for manufacturing contract services, etc. related to artificial kidney dialysis equipment as announced on September 27, 2024 in the release titled “Notice of Start of Discussions Aimed at Terminating Commissioned Manufacturing Related to Dialysis Equipment” (Japanese version only). This segment will continue manufacturing and sales of its products other than the artificial kidney dialysis equipment.

Printed Wiring Board Assembly (PWBA)

In this segment, both orders received and sales increased after demand for products used for industrial equipment had bottomed out.

As a result, orders received were 743 million yen, up 13.3% year-on-year, and sales were 723 million yen, up 5.0%.

In our future outlook, we expect that harsh conditions will continue as we face a number of challenges in the cultivation of new businesses.

Fire Pumps

In this segment, orders received increased as a result of large orders for fire engines for the use by the national and local governments. Meanwhile, sales of fire engines for the national and local governments and fire pumps for overseas markets decreased.

As a result, orders received were 2,611 million yen, up 17.2% year-on-year, and sales were 1,976 million yen, down 4.7%.

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, we have commenced the development of derivative models of new water-cooled fire pump models.

(2) Explanation of Financial Position

Total assets amounted to 18,772 million yen at the end of the third quarter of 2024, a decrease of 303 million yen or 1.6% compared with 19,075 million yen at the end of 2023. The main factors of the decrease were 502 million yen in securities (-%) and 386 million yen in notes and accounts receivable-trade (down 21.7%) and the main factor of the increase was 403 million yen in investment securities (up 24.2%).

Total liabilities amounted to 5,726 million yen, a decrease of 668 million yen or 10.5% compared with 6,395 million yen at the end of 2023. The main factors for the decrease were 259 million yen (down 34.1%) in provision for loss related to product repair and 221 million yen (down 34.7%) in long-term borrowings.

Net assets totaled 13,045 million yen, an increase of 365 million yen or 2.9% compared with 12,680 million yen at the end of 2023. Major factors included a 280 million yen increase in valuation difference on available-for-sale securities (up 35.7%).

(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)	Third quarter of 2024 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	6,819,624	7,069,022
Notes and accounts receivable-trade	1,782,615	1,395,782
Electronically recorded monetary claims-operating	1,330,956	1,005,742
Accounts receivable from completed construction contracts and contract assets	1,344,241	1,060,509
Securities	502,444	-
Finished goods	727,770	925,162
Work in process	314,936	435,144
Raw materials	1,796,717	2,025,630
Other	210,768	88,874
Allowance for doubtful accounts	(3,899)	(3,899)
Total current assets	14,826,175	14,001,969
Non-current assets		
Property, plant and equipment	1,291,918	1,673,944
Intangible assets		
Goodwill	810,766	723,898
Other	142,119	122,687
Total intangible assets	952,886	846,585
Investments and other assets		
Investment securities	1,670,353	2,074,229
Other	354,784	195,971
Allowance for doubtful accounts	(20,650)	(20,650)
Total investments and other assets	2,004,488	2,249,550
Total non-current assets	4,249,293	4,770,081
Total assets	19,075,468	18,772,050
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,872,503	1,769,944
Accounts payable for construction contracts	563,035	395,101
Short-term borrowings	600,000	700,000
Current portion of long-term borrowings	295,920	295,920
Income taxes payable	89,465	225,240
Provision for bonuses	-	97,855
Provision for bonuses for directors (and other officers)	-	14,808
Provision for product warranties	315,712	278,769
Other	980,724	712,595
Total current liabilities	4,717,361	4,490,234
Non-current liabilities		
Long-term borrowings	640,300	418,360
Provision for share awards for directors (and other officers)	6,658	9,819
Retirement benefit liability	232,376	204,225
Asset retirement obligations	23,852	58,476
Provision for loss related to product repair	759,607	500,337
Other	15,118	45,179
Total non-current liabilities	1,677,914	1,236,398
Total liabilities	6,395,275	5,726,632

	(Thousands of yen)	
	2023 (As of Dec. 31, 2023)	Third quarter of 2024 (As of Sep. 30, 2024)
Net assets		
Shareholders' equity		
Share capital	996,600	996,600
Capital surplus	1,460,517	1,460,517
Retained earnings	9,329,785	9,564,475
Treasury shares	(413,653)	(413,653)
Total shareholders' equity	11,373,249	11,607,939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	785,366	1,066,039
Foreign currency translation adjustment	481,633	339,492
Remeasurements of defined benefit plans	39,942	31,945
Total accumulated other comprehensive income	1,306,943	1,437,477
Total net assets	12,680,192	13,045,417
Total liabilities and net assets	19,075,468	18,772,050

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

	(Thousands of yen)	
	First nine months of 2023 (Jan. 1 - Sep. 30, 2023)	First nine months of 2024 (Jan. 1 - Sep. 30, 2024)
Net sales	9,083,684	8,882,202
Cost of sales	6,232,052	5,825,445
Gross profit	2,851,631	3,056,756
Selling, general and administrative expenses	2,145,825	2,087,120
Operating profit	705,806	969,635
Non-operating income		
Interest income	28,480	812
Dividend income	27,764	34,495
Foreign exchange gains	28,889	14,107
Other	20,509	9,482
Total non-operating income	105,644	58,898
Non-operating expenses		
Interest expenses	8,823	8,496
Other	1,351	1,545
Total non-operating expenses	10,174	10,042
Ordinary profit	801,277	1,018,491
Extraordinary income		
Gain on sale of investment securities	6,388	-
Reversal of provision for loss related to product repair	-	56,214
Total extraordinary income	6,388	56,214
Extraordinary losses		
Provision for loss related to product repair	692,235	-
Office relocation expenses	-	14,069
Total extraordinary losses	692,235	14,069
Profit before income taxes	115,429	1,060,636
Income taxes-current	117,990	293,025
Income taxes-deferred	(49,089)	(84,147)
Total income taxes	68,900	208,877
Profit	46,529	851,758
Profit attributable to owners of parent	46,529	851,758

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

(Thousands of yen)

	First nine months of 2023 (Jan. 1 - Sep. 30, 2023)	First nine months of 2024 (Jan. 1 - Sep. 30, 2024)
Profit	46,529	851,758
Other comprehensive income		
Valuation difference on available-for-sale securities	178,232	280,673
Foreign currency translation adjustment	109,340	(142,141)
Remeasurements of defined benefit plans, net of tax	8,678	(7,997)
Total other comprehensive income	296,251	130,534
Comprehensive income	342,780	982,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	342,780	982,293

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Notes to Quarterly Consolidated Statement of Cash Flows

A quarterly consolidated statement of cash flows has not been prepared for the first nine months of 2024.

Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the first nine months of each fiscal year are as follows.

	(Thousands of yen)	
	First nine months of 2023 (Jan. 1 – Sep. 30, 2023)	First nine months of 2024 (Jan. 1 – Sep. 30, 2024)
Depreciation	155,122	202,472
Amortization of goodwill	86,867	86,867

Segment and Other Information**Segment Information**

I First nine months of 2023 (Jan. 1– Sep. 30, 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	550,663	1,941,581	834,860	689,110	2,074,583	6,090,801	-	6,090,801
Goods or services that are transferred over a certain period of time	2,992,883	-	-	-	-	2,992,883	-	2,992,883
Revenue from contracts with customers	3,543,547	1,941,581	834,860	689,110	2,074,583	9,083,684	-	9,083,684
Other revenue	-	-	-	-	-	-	-	-
External sales	3,543,547	1,941,581	834,860	689,110	2,074,583	9,083,684	-	9,083,684
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	3,543,547	1,941,581	834,860	689,110	2,074,583	9,083,684	-	9,083,684
Segment profit (loss)	547,269	405,013	76,747	80,352	83,551	1,192,934	(487,128)	705,806

Notes: 1. The adjustment of negative 487,128 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 nine months of 2024 (Jan. 1– Sep. 30, 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	559,002	1,394,505	976,452	723,246	1,976,106	5,629,313	-	5,629,313
Goods or services that are transferred over a certain period of time	3,252,889	-	-	-	-	3,252,889	-	3,252,889
Revenue from contracts with customers	3,811,891	1,394,505	976,452	723,246	1,976,106	8,882,202	-	8,882,202
Other revenue	-	-	-	-	-	-	-	-
External sales	3,811,891	1,394,505	976,452	723,246	1,976,106	8,882,202	-	8,882,202
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	3,811,891	1,394,505	976,452	723,246	1,976,106	8,882,202	-	8,882,202
Segment profit (loss)	1,073,999	267,099	40,611	89,770	(21,416)	1,450,064	(480,428)	969,635

Notes: 1. The adjustment of negative 480,428 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.