

Results of Operations for the Fiscal Year Ended December 31, 2024

New Medium-Term Management Plan 2025

February 26, 2025

Fenwal Controls of Japan, Ltd.

(Tokyo Stock Exchange Standard: 6870)

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1. 2024 Performance and Accomplishments

Executive Summary for 2024

Results of Operations

- Sales **declined slightly by 0.7% YoY**, mainly due to special demand for sensors in the thermal segment in 2023.
- Operating profit **increased by 14.2% YoY** due to the completion of highly profitable projects in the SSP segment.
- Profit **increased significantly by 189.1% YoY**, due to an increase in operating profit, foreign exchange gains and a gain on reversal of allowance for doubtful accounts.

Major initiatives

- Renewal of the management philosophy (mission, vision and values)
- Capital and business alliance concluded with Seika Corporation to strengthen core businesses
- Withdrawal from unprofitable businesses (closure of overseas subsidiaries, finalization of the policy to end the dialysis equipment business)
- Enhancing quality control systems (development efforts and other initiatives for stabilizing production quality)
- Human capital (Increasing base wages, revision of the personnel evaluation system and introduction of department manager training programs)



■ Consolidated Financial Summary

Net sales were down 0.7% YoY and operating profit was up 14.2% YoY

(Millions of yen)

Items	2020 Results	2021 Results	2022 Results	2023 Results	2024			
					*Plan	Results	YoY	Vs. plan
Net sales	9,125	12,372	12,401	12,601	12,790	12,515	-0.7%	-2.1%
Gross profit	2,694	3,902	4,045	4,010	3,766	4,135	3.1%	9.8%
Gross profit margin	29.5%	31.5%	32.6%	31.8%	29.4%	33.0%	1.2pt	3.6pt
SG&A expenses	1,928	2,632	2,735	2,975	2,858	2,953	-0.7%	3.3%
Operating profit	765	1,270	1,310	1,035	907	1,181	14.2%	30.2%
Ordinary profit	838	1,338	1,479	1,159	944	1,359	17.2%	44.0%
Extraordinary income and losses	-12	-655	-392	-571	-11	102	-	-
Profit	585	387	826	385	508	1,115	189.1%	119.5%
ROE	5.1%	3.3%	6.8%	3.1%	4.1%	8.5%	+5.4pt	+4.4pt

* Forecasts figures represent the full-year forecasts disclosed on February 9, 2024.

■ Financial Summary by Segment

(Millions of yen)

Items		Segment	2020	2021	2022	2023	2024
Net sales	Non-consolidated	SSP	5,369	5,205	5,330	4,841	5,162
		Thermal	1,395	1,876	2,236	2,555	2,027
		Medical	1,239	1,290	1,158	1,291	1,448
		PWBA	1,121	1,126	1,231	912	995
		Total	9,125	9,498	9,957	9,600	9,633
	Consolidated	Fire pumps	-	2,873	2,444	3,001	2,882
		Total	9,125	12,372	12,401	12,601	12,515
Operating profit	Non-consolidated	SSP	961	1,126	1,190	744	1,263
		Thermal	253	463	516	542	380
		Medical	4	70	53	121	56
		PWBA	142	112	125	90	106
		Total	1,361	1,773	1,885	1,498	1,807
	Consolidated	Fire pumps	-	149	51	203	43
		Total	1,361	1,923	1,936	1,701	1,850
		Consolidation adjustments	-596	-652	-626	-667	-668
		Adjusted operating profit	765	1,270	1,310	1,035	1,181

■ Summary of Consolidated Balance Sheet

(Millions of yen)

Items		2023	2024	Change	Items		2023	2024	Change
Current assets	Cash and deposits	6,819	6,289	-530	Liabilities	Accounts payable	2,435	2,223	-212
	Accounts receivable-trade	4,457	4,344	-114		Borrowings	1,536	1,240	-296
	Inventories	2,839	3,119	280		Provision for product warranties/repair	1,075	824	-251
	Securities	502	0	-502		Other	1,349	1,650	301
	Other	207	90	-117		Total	6,395	5,937	-458
	Total	14,826	13,842	-984	Net assets	Shareholders' equity	11,373	11,872	499
Non-current assets	Property, plant and equipment and intangible assets	2,244	2,477	232		Other	1,307	1,713	406
	Investment securities	1,670	2,883	1,214		Total	12,680	13,585	905
	Other	334	318	-16					
	Total	4,249	5,679	1,430					
Total assets		19,075	19,521	446	Total liabilities and net assets		19,075	19,521	446

2. New Medium-Term Management Plan 2025 (2025 to 2028)

■ Background of the New Medium-Term Management Plan

- In consideration of the issues that the Group is facing now and the changes in the external environment, we have decided to review the direction of the current medium-term management plan and formulate a new four-year plan.

Issues the Group is facing

- Review of the product portfolio and expansion of sales areas
- Optimization of resources by withdrawing from the artificial kidney dialysis equipment business
- Measures for improving quality and strengthening the development system
- Investment in equipment and human capital with an eye toward sustainable growth

External environment changes

- Need to implement measures to address new disaster risks
- Increased sophistication and complexity of technologies related to product development
- Creation of a comfortable work environment and improvement of productivity

■ Management Policy

Business strategies

SSP

- Strengthening sales of explosion containment equipment
- Enhancement of the lineup of fire extinguishing facilities
- Development and renewal of heat detectors

Thermal

- Promotion of development-oriented sales for major customers
- Enhancement of production lines
- Expansion of business areas through application development

Fire pumps

- Enhancement of the lineup of disaster measures products
- Improvement of profitability through a review of manufacturing operations and cost reductions

Other

- Creation of added value utilizing mounting technologies and device assembly expertise
- Optimization of human resources



Business foundations

Human capital

- Review the human resource portfolio
- Build a system for effectively implementing recruitment and educational programs
- Better work-life balance

Capital cost

- Improve profitability by analyzing the cost of capital
- Invest positively in growing businesses
- Reduce cross-shareholdings

Governance

- Improve the effectiveness of the Board of Directors
- Strengthen the functions of the Board of Directors and the Audit & Supervisory Board
- Tighten risk management

Sustainability (Climate Change)

- CO2 reduction
- Reduce emissions in 2035 by 60% from the level in 2023
- Aim to achieve net zero CO2 emissions by 2045

2024 to 2026

Master the
fundamentals and
take on the challenge
of radical change

2027 to 2028

Achieve sustainable growth

2024

- Renewal of the management philosophy — New MVV
- Determine the directions of unprofitable businesses
- Capital and business alliance concluded with Seika Corporation to strengthen core businesses
- Upgrade the quality assurance system

2025 to 2026

- Strengthen the business alliance with Seika Corporation
- Improve internal structures to concentrate resources in growth businesses
- Accelerate product development by enhancing elemental technology
- Strengthen the recruitment and development of human resources for the future

2027 to 2028

- Reform the profit structure into the one focusing on new product launches
- Optimizing business portfolio
- Improve profitability by facilitating capital policies
- Improve productivity by facilitating DX, etc. and better work-life balance

■ Medium-Term Management Plan 2025 Plan Summary

Policy

- **Strengthening of core businesses:** Expand sales channels and strengthen the business structure based on disaster prevention and control technologies
Stably secure operating profit of over one billion yen in and after 2028
- **Improvement of capital revenues:** Ensure profitability by facilitating capital policies and reviewing the profit structure

(Millions of yen)

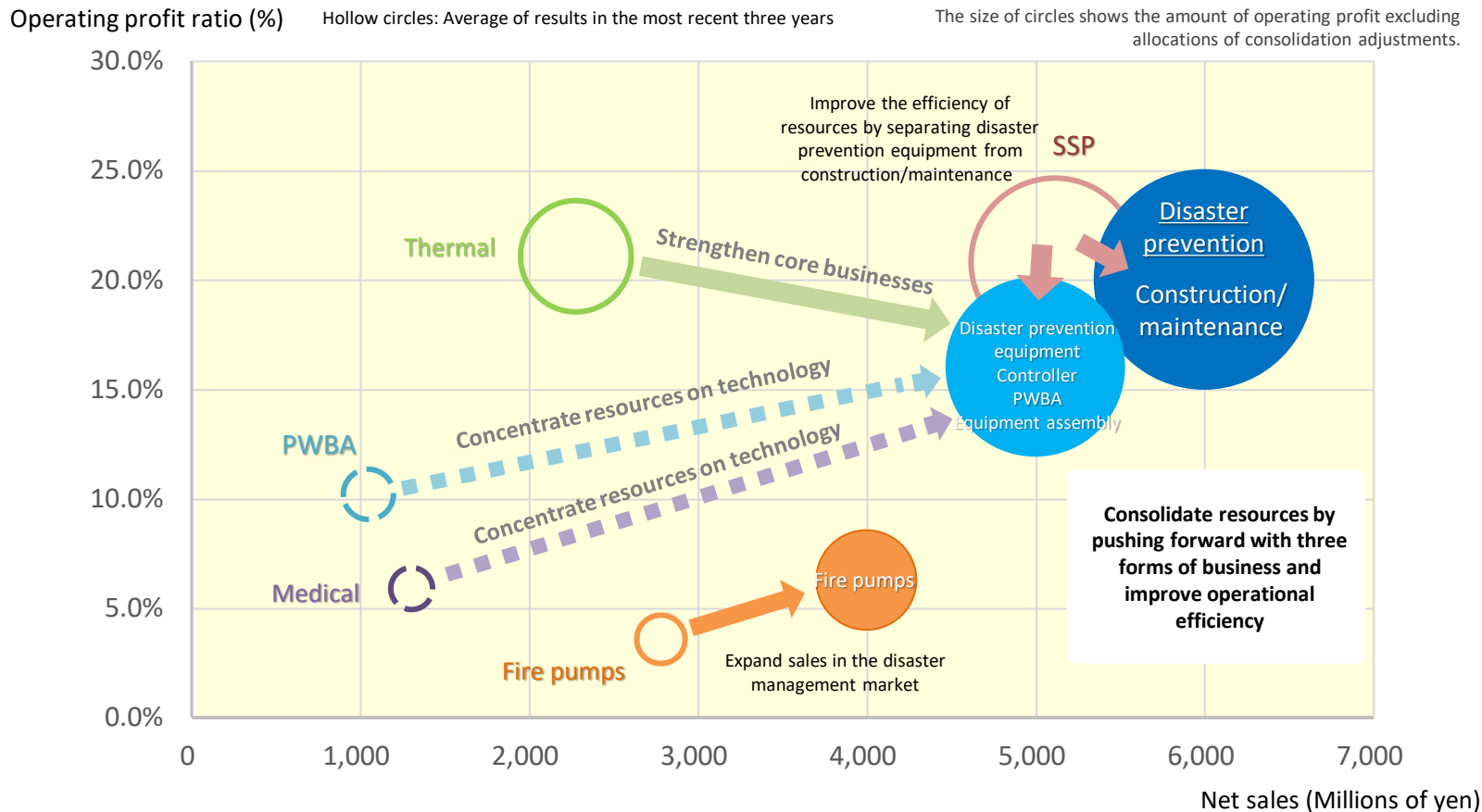
Consolidated	2023 Results	2024 Results	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Net sales	12,601	12,516	11,600	11,700	11,800	12,300
Operating profit	1,035	1,182	500	700	800	1,000
Operating profit ratio	8.2%	9.4%	4.3%	6.0%	6.8%	8.1%
Ordinary profit	1,159	1,359	545	735	805	1,005
Profit	385	1,116	619	621	698	774
ROE	3.1%	8.5%	4.7%	4.8%	5.3%	6.0%
EBITDA margin	10.8%	12.7%	7.9%	9.6%	10.3%	12.0%

■ Medium-Term Management Plan 2025 Plan by Segment

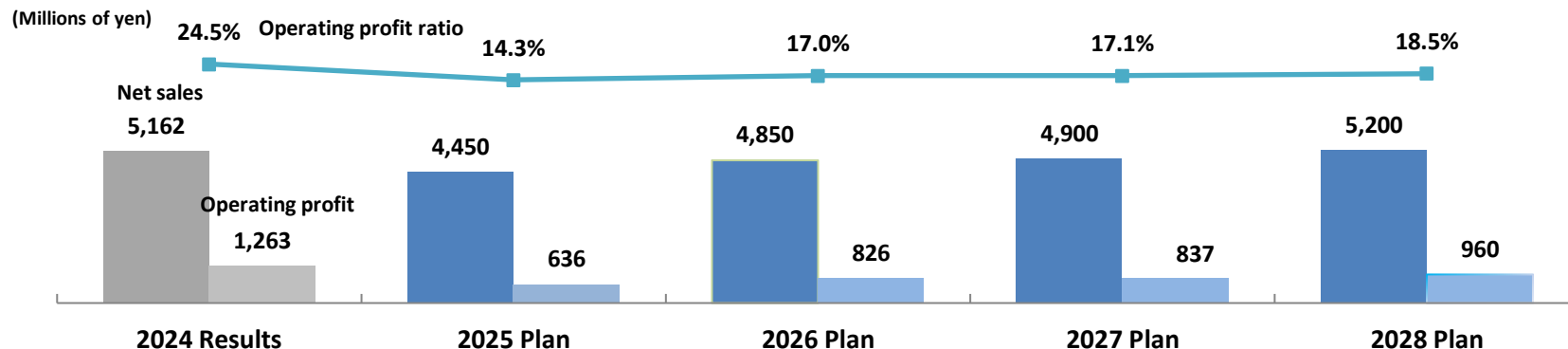
(Millions of yen)

Items		Segment		2023 Results	2024 Results	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Net sales	Non-consolidated	SSP	Machinery	689	734	950	970	840	890
			Construction/Maintenance	4,152	4,428	3,500	3,880	4,060	4,310
			Total	4,841	5,162	4,450	4,850	4,900	5,200
		Thermal		2,555	2,027	2,150	2,300	2,500	2,600
		Medical		1,291	1,448	1,000	400	100	100
		PWBA		912	995	1,000	1,050	1,100	1,100
		Total		9,600	9,633	8,600	8,600	8,600	9,000
	Consolidated	Fire pumps		3,001	2,882	3,000	3,100	3,200	3,300
		Total		12,601	12,515	11,600	11,700	11,800	12,300
Operating profit	Non-consolidated	SSP		744	1,263	636	826	837	960
		Thermal		542	380	344	346	391	402
		Medical		121	56	30	14	3	3
		PWBA		90	106	101	101	111	116
		Total		1,498	1,807	1,111	1,287	1,342	1,481
	Consolidated	Fire pumps		203	43	3	28	68	119
		Total		1,701	1,850	1,114	1,315	1,410	1,600
		Consolidation adjustments		-667	-668	-614	-615	-610	-600
		Adjusted operating profit		1,035	1,181	500	700	800	1,000

■ Goal for the Business Portfolio



■ Core Business Initiatives SSP



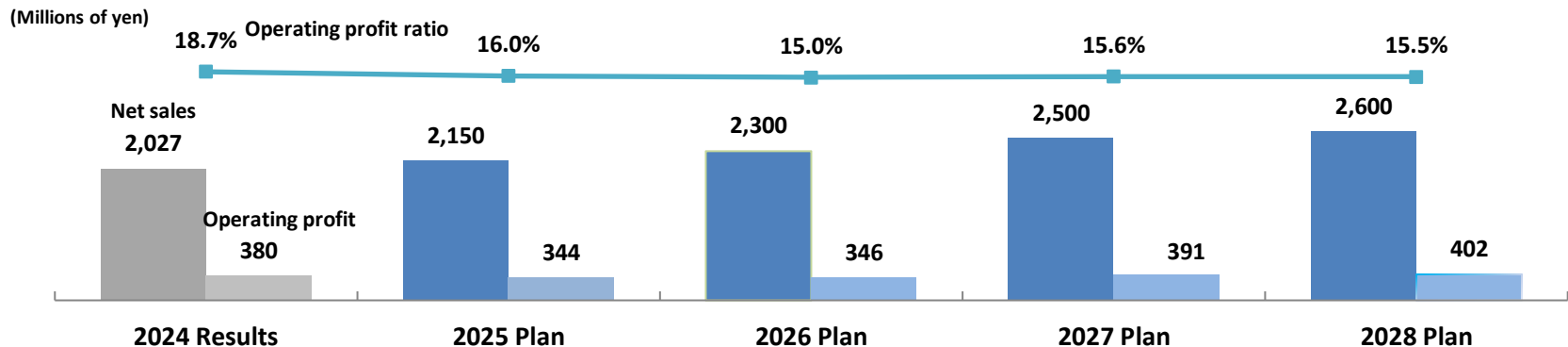
(1) Policy

- Focus on improving the profitability of existing products and developing new products in 2025 and 2026
- Start to launch new products in 2027 and aim to expand sales

(2) Activities

- Facilitate collaboration with Seika Corporation and expand sales channels leveraging the company's business scheme
- Promote sales activities to ensure that our design specs are adopted in construction projects (design companies, general contractors, sub-contractors, etc.)
- Follow up on customers who already have our products installed of with whom we have a track record of business
- Strengthen the operational system to facilitate construction and renovation

Core Business Initiatives Controller (Thermal)



(1) Initiatives to strengthen sales

- Push forward with technology sales activities to promote products for next-generation semiconductor manufacturing equipment
- Strengthen relationships with existing customers
- Approach new customers by going beyond our existing operational fields

(2) Initiatives to strengthen manufacturing operations

- Improve production capacity by renovating and replacing equipment
- Improve productivity by reviewing production processes

■ Reform Business Initiatives Fire Pumps (Shibaura Fire Pump)



(1) Initiatives to strengthen sales

- Take measures steadily to capture demand for the replacement of fire pumps
- Improve profitability by standardizing fire engines' specifications and streamlining operations
- Enhance the lineup of disaster prevention products such as emergency water purification systems

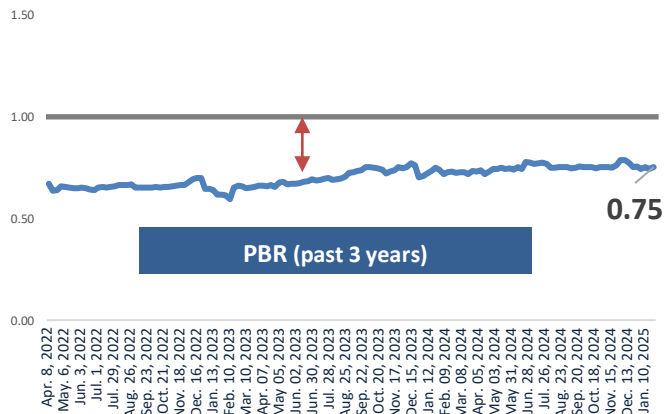
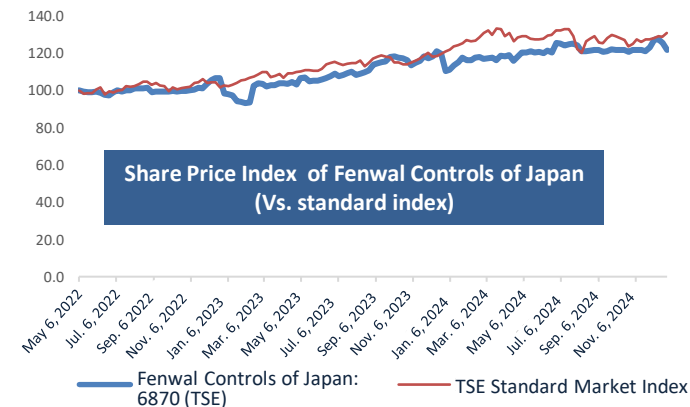
(2) Pursue synergy with Fenwal Controls of Japan, Ltd.

- Facilitate collaboration for development by leveraging each other's strengths
- Expand sales channels through a range of means including collaboration with Seika Corporation

3. Financial Strategy

■ Shifting to Management with an Awareness of the Capital Cost and the Share Price

Market evaluation trend over the past three years



Assessment of the current situation and analysis of factors

Current

- Our stock has somewhat underperformed compared with the TSE standard indices in the past three years.
- Our PBR has been below one for a long time.
- Our understanding is that our investors have not fully gotten on board with our management strategy, and consequently, our market valuation has been limited.

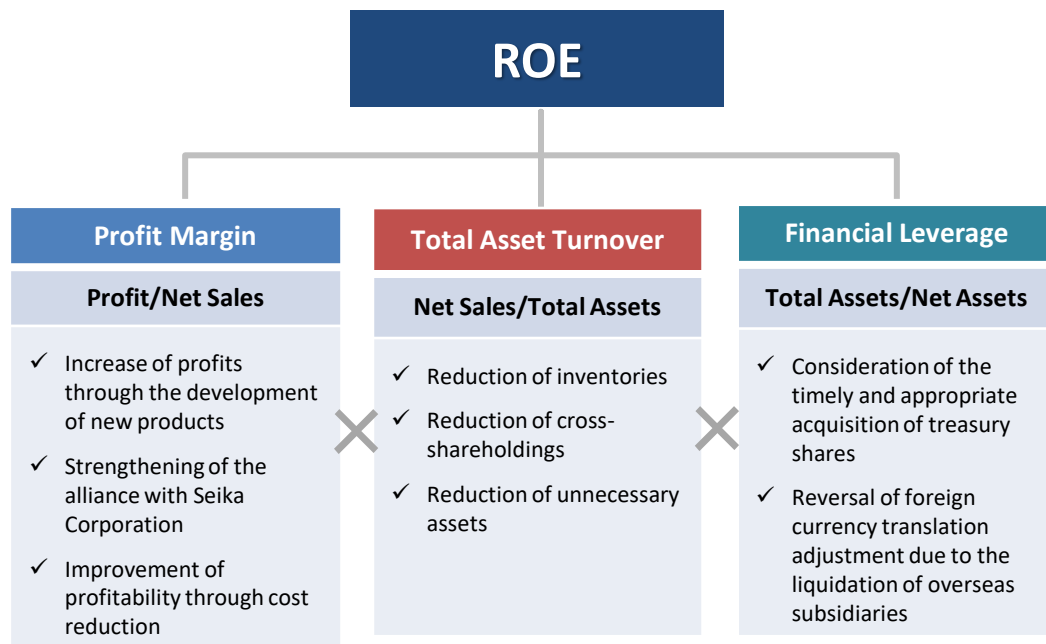
Specific measures

- Accelerate investments in development in the SSP and thermal segments.
- Review business portfolio
- Utilize surplus cash and deposits effectively.
- Achieve ROE exceeding the cost of shareholder capital by 4 to 5%.

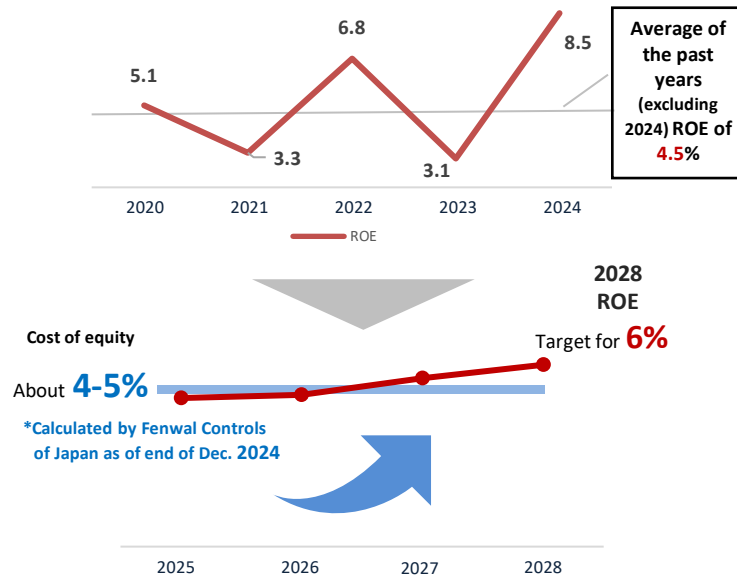
■ Shifting to Management with an Awareness of the Capital Cost and the Share Price

- Focus on ROE and aim to achieve an ROE of 6% or higher in 2028 by increasing profitability and improving capital efficiency.
 - ✓ Increase ROE through a range of measures such as **improving profit through new product development, reducing inventories and cross-shareholdings, and acquiring treasury shares.**
- Aim to achieve a PBR of one through dialog with investors and the enhancement of the information disclosed.

Concrete measures to improve ROE (DuPont analysis)



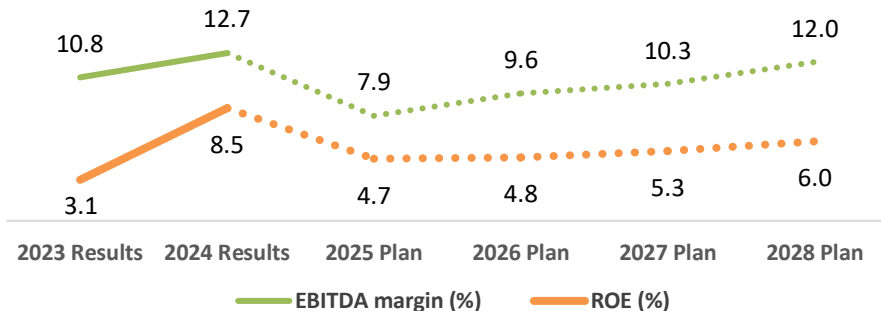
ROE trend to date and concept for the future



*ROE declined from 2021 to 2023 due to the posting of expenses to handle product defects. If there had been no effects of expenses for dealing with defects, we assume that ROE would have exceeded the cost of shareholder capital.

■ Performance Indicators and Dividend Policy

Performance Indicators



Performance Targets

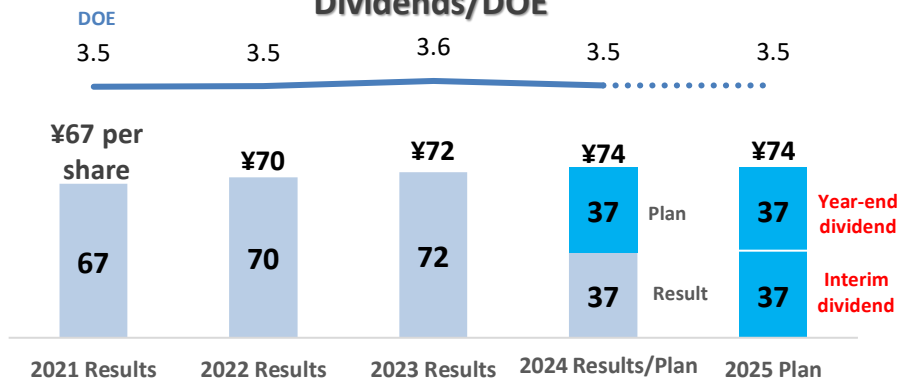
2028 EBITDA margin target: 12%

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

2028 ROE target: 6.0%

Efforts will be made to increase ROE while also paying attention to the cost of capital.

Dividends/DOE



Dividend Policy

DOE target: About 3.5%

Implement a DOE metric to ensure stable dividends. Efforts will be made to return profits to shareholders as actively as possible while simultaneously considering the maintenance of internal reserves to strengthen our corporate structure and prepare for the future expansion of business.

* Start paying an interim dividend in 2024 to pay annual dividends in a more even manner and to increase the liquidity of our stock

■ Capital Allocation Plan

2025 to 2028

Total capital of
¥6.0 billion

Strategic investments

About ¥4.3 billion

- (1) Capital expenditures: Improvement of IT systems, reconstruction of production/R&D building, etc. ¥3.6 billion
- (2) R&D: Development of products, Development of elements, etc. ¥0.5 billion
- (3) Investments in people: Recruiting and training, revisions of human resources systems ¥0.2 billion

Shareholder distributions

About ¥1.7 billion

- Dividends in accordance with the dividend policy
- The plan for investments may be revised to reflect changes in results of operations and market conditions.

4. Sustainability Measures

■ Human Capital Management Policy

- Individuals who spare no effort in the pursuit of quality and trust
- Individuals who continue to be curious and take on challenges
- Individuals who do not forget to greet people and express their gratitude

Human resource that we seek to secure:

We understand that accomplishing our mission and our vision requires **doing all the obvious tasks in a reliable and consistent manner**. Furthermore, accepting the current situation is equivalent to going backward. We must **constantly take on new challenges** in order to go forward.

Skills are an individual trait, but everyone has the ability to try new ideas and approaches. No special skill is necessary. The Fenwal Way means never fearing failure and always placing priority on actions. We are determined to be an organization where everyone is committed to and guided by the **Fenwal WAY**

Stance on human capital management

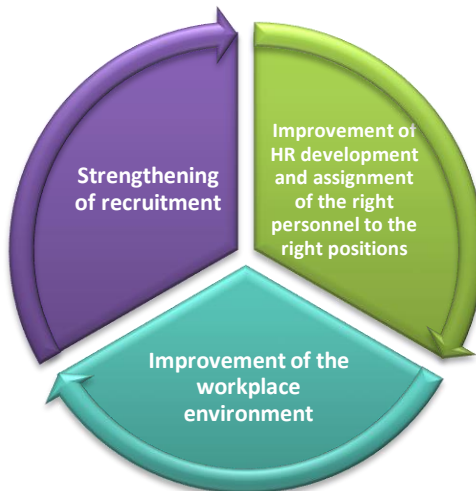
- I. Develop a sense of unity among all staff members by establishing a corporate philosophy
- II. Maximize capabilities through diverse training programs, follow-ups and the assignment of the right personnel to the right positions
- III. Foster a spirit of taking on challenges by providing opportunities for growth
- IV. Promote health and increase vitality through better work-life balance

■ Human Capital Management Initiatives

Key Initiatives

Strengthening of recruitment: Optimization of the human capital portfolio

- (1) Regular recruitment of new graduates
 - Introduction of an internship system
 - Launch of a recruitment website
- (2) Recruitment of employees who are work-ready mid-career
 - Individual-based follow-up to facilitate adaptation to workplaces
 - Utilization of scouting-based recruitment
- (3) Diversity-conscious recruitment
 - Promotion of employment of people with disabilities
 - Establishment of a system for hiring foreigners



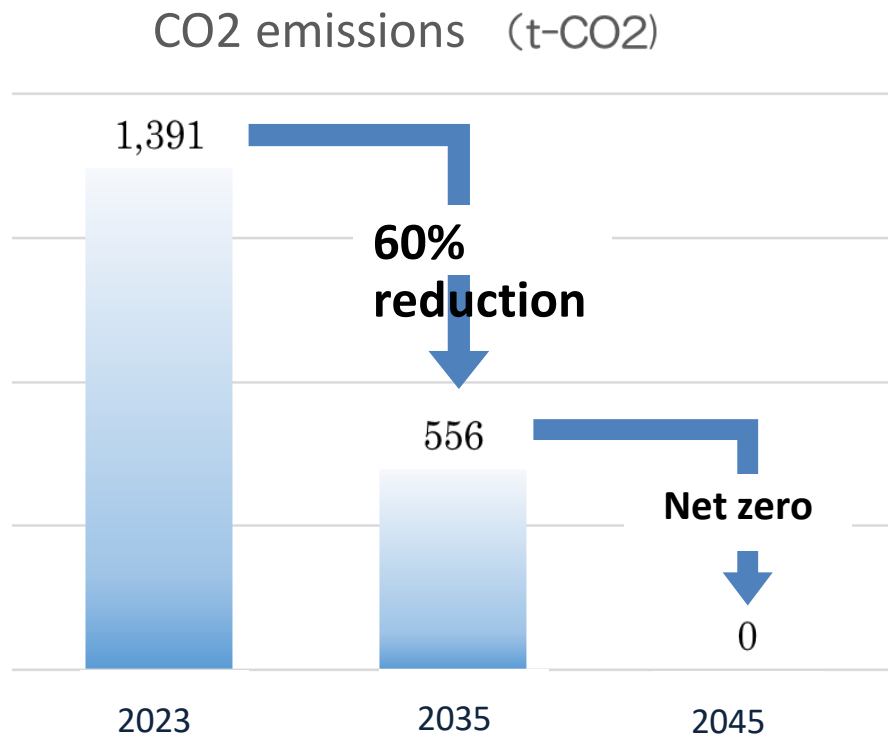
Improvement of HR development and assignment of the right personnel to the right positions: Maximization of the potential of human capital

- (1) Improvement of HR development
 - New employee training
 - Mid-career employee training
 - Level-Specific Training
 - Online training
 - Reskilling training (to be considered)
- (2) Assignment of the right personnel to the right positions
 - Trainee programs
 - Job rotation system

Improvement of the workplace environment: Better work-life balance

- (1) Response to diverse workstyles
 - Support for people taking childcare and nursing care leave
 - Encouragement of uptake of paid leave
 - Review of welfare programs according to the environment of each base
 - Consideration of a partial review of working hours
- (2) Improvement of the workplace environment
 - Consolidation and closure of bases

■ Response to Climate Change — GHG Emissions Reduction Targets



- Our GHG Protocol Scope 1 and 2 CO2 emissions totaled **1,391 t-CO2** in 2023.
- We will reduce CO2 emissions in 2035 by 60% from the level in 2023 and achieve net zero emissions by 2045.

(Major initiatives)

- Establishment of Sustainability Promotion Committee
- Switch to renewable electricity contracts
- Investment in energy-saving equipment
- Utilization of carbon credits etc.

5. 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	275 (Consolidated) (As for December 31, 2024)	
Head Office location	1-5-10 Iidabashi, Chiyoda-ku, Tokyo	
Business	SSP (Disaster prevention equipment/construction/maintenance) Thermal (Temperature control equipment) Medical (medical equipment) PWBA (Printed wiring board assembly) Fire pumps (subsidiary)	
Major shareholders	<ul style="list-style-type: none"> • THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD • SEIKA CORPORATION • Yoshida Development Corporation • Toray Medical Company Limited 	
Correspondent Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.	The Hachijuni Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Affiliate Subsidiaries	Shibaura Fire Pump Co., Ltd.	

■ Business Overview SSP

■ Business Overview

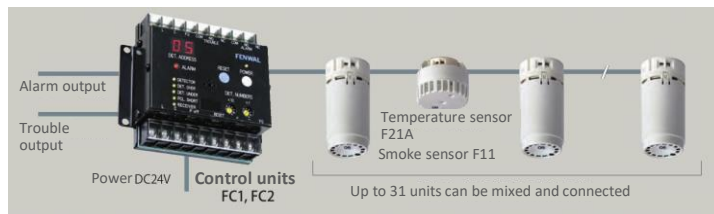
Development, manufacture and sales of fire alarm system, fire extinguishing system, industrial explosion protection system, high sensitivity smoke detection system (SAS), and overheating alarm system, etc., as well as design, implementation, maintenance, and engineering services for these systems

■ Main Products

Heat/smoke detectors



Control units



HRD fire extinguishing agent container



Gas fire extinguishing equipment



S-NET control panels

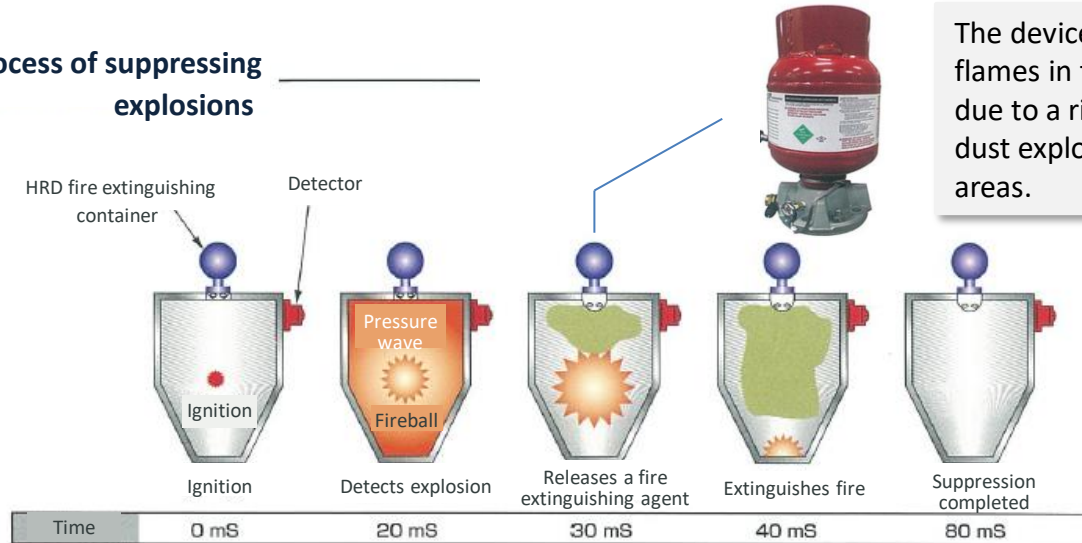


Industrial explosion protection device



● Product Description — Principle Behind the Industrial Explosion Protection (IEP) Device

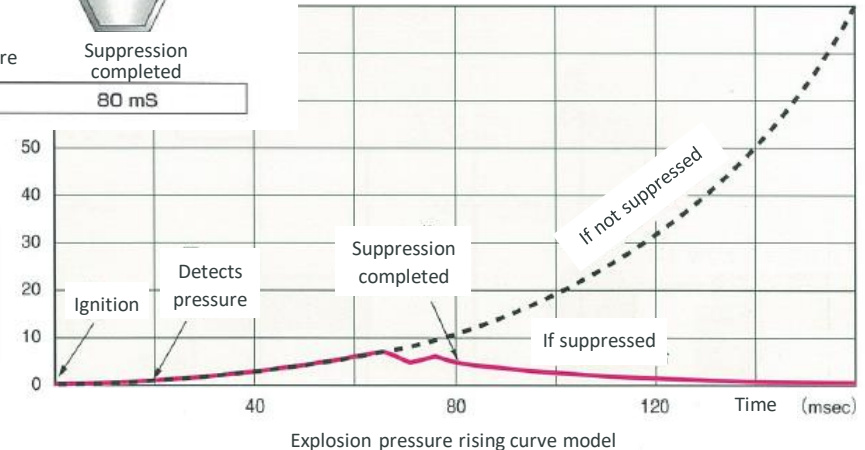
Process of suppressing explosions



The device extinguishes and suppresses fires by detecting flames in the initial combustion stage, which occurs quickly due to a rise in pressure, while simultaneously preventing dust explosions and secondary explosions in adjacent areas.

1mS = 0.001 sec.

Upon detecting a pressure wave, the device instantly ejects a fire extinguishing agent like an airbag



■ Business Overview Thermal

■ Business Overview

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

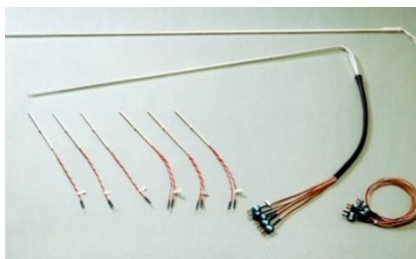
■ Main Products

Hot plates



Used in the wafer heat treatment process in coater developer equipment in the semiconductor manufacturing (front end) process

Temperature sensors (Thermocouples for special applications)



Used for detecting the temperature inside the high-temperature furnace of film-forming equipment in the semiconductor manufacturing (front end) process

Thermos switches (Metal expansion-type non-indicating temperature control units)



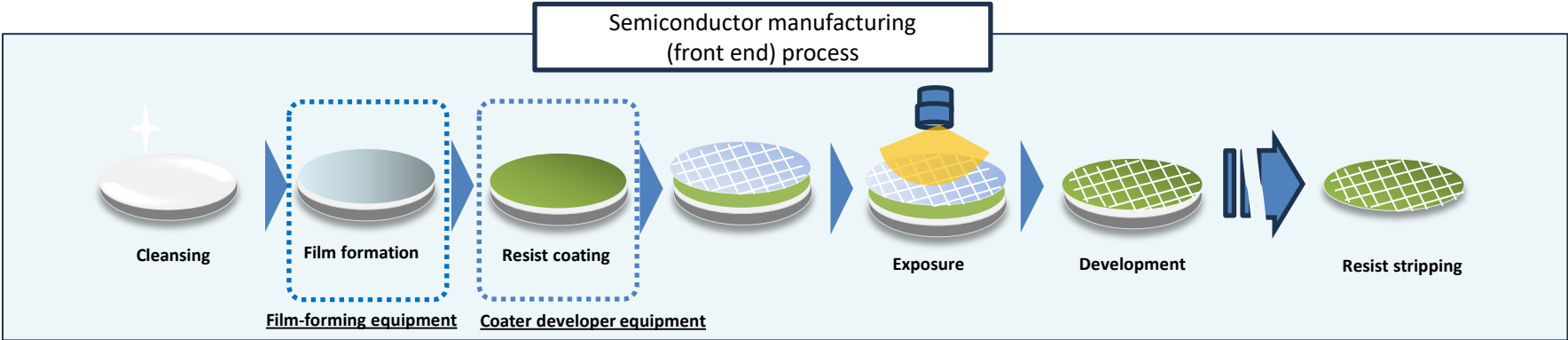
Temperature control units using the expansion characteristics of metal, which does not require power source
(Used for the brake areas of bullet trains, etc.)

Temperature control units



Used for controlling the temperature in a variety of devices (scientific instruments, PET bottle molding machines, coffee roasters, etc.)

● Product Description — Applications of Hot Plates and Thermocouples (Sensors)



Film-forming equipment

Inside a high-temperature furnace

Thermocouple

Thermocouple

Thermocouples (sensors)

Our sensors are used in high temperature furnaces (800-1,100 °C)

Coater developer equipment

Hot plates (wafer-type)

Our aluminum hot plates, which offer excellent temperature uniformity, are used in coater developer equipment

■ Business Overview PWBA

■ Business Overview

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

Mounter lines (two lines)



PCB mounting/assembly



■ Business Overview Fire Pumps

■ Business Overview

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

■ Main products

Portable fire pump



Fully automatic safety pumps



Small fire pump carrier



Emergency water purification systems



■ 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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