Financial/Capital Strategies

Summary of Fiscal 2022 and Recognition of Environment

The Group receives orders for production equipment from manufacturers of products in a wide range of fields, such as electric vehicles (EVs) and other Automotive-related Businesses, semiconductors, and other automatic labor-saving equipment. Therefore, due to changes in the economic conditions in Japan and overseas, changes in the lifecycles of customer products and other factors, fluctuations in capital investment by business partners may affect performance.

The Medium-Term Management Plan (FY2022–FY2024) has been positioned as a three-year period in which to expand business in growth markets while generating profit from existing businesses and solidifying our management base. We have adopted numerical targets of ¥100 billion in net sales, ¥10 billion in operating profit, a 10% operating profit ratio, and ROE of 11% for fiscal 2024. To improve capital efficiency, we will work to secure ROIC that exceeds the weighted average cost of capital (WACC). In fiscal 2022, we achieved net sales of ¥78.443 billion, operating profit of ¥5.92 billion, an operating profit ratio of 7.5%, and ROE of 7.5%. In addition, we secured ROIC of 7.1%, exceeding cost of capital (WACC) of 5.5%.

We will continue to focus on profitability indicators such as operating profit ratio, ROE, and ROIC and allocate resources to expand business in growth markets while solidifying our management base, leading to long-term growth.

Basic Financial Policy

A major issue for the period of the current Medium-Term Management Plan is to strengthen profitability in growth markets such as EVs and semiconductors. As customers' capital investment in EVs and semiconductors is booming, we will strengthen process control and manage the profitability of projects more thoroughly than ever before in response to an increase in production load, as well as develop a system to further strengthen our financial base.

Specifically, we will promote front-loading such as cooperation between departments at the inquiry and sales stages, resource management, 3D design, and preliminary verification utilizing an emulator. Through these measures, we will curb the occurrence of extraordinary expenses and improve the efficiency of assets such as accounts receivable and inventories.

In terms of the strengthening of our finances, we will continue working to reduce interest-bearing debt, reduce interest costs, and hedge risks through forward exchange contracts and other measures, as we have been doing, while maintaining a disciplined D/E ratio level based on fluctuations in performance.

The cash conversion cycle (CCC) worsened year-on-year due to an increase in length of the trade receivable turnover period, an increase in length of the inventory asset turnover period due to longer delivery dates for parts, and a decrease in length of the trade payable turnover period due to changes in payment policies.

In addition to setting and increasing advance payments for large projects and long-term projects, we will continue to negotiate with customers for the early collection of trade receivables, improve procurement lead times, and reduce inventories.

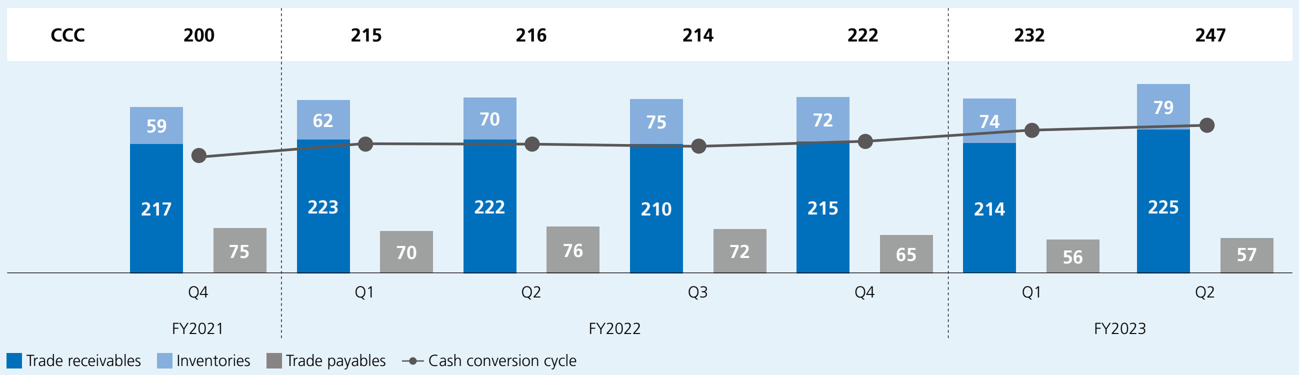
Progress of Medium-Term Management Plan Management Index Targets

(Unit: 100 million yen)

	Segment	Final-Year Target of the Medium-Term Management Plan (FY2024)		First-Year Result (FY2022)		Second-Year Forecast (FY2023)		State of Progress
Net sales	Automotive-related equipment	400		302		380		○: Increase in orders
	Semiconductor-related equipment	400		289		310		△: Improving production efficiency is an issue
	Other automatic labor-saving equipment, etc.	200		191		210		○: Continued investment despite declining FPD business
	Total	1,000		784		900		△: Expanding production capacity is an issue
Operating profit (Operating profit ratio)	Automotive-related equipment	20	(5%)	15.5	(5.1%)	-*	-*	○: EV profitability improvement
	Semiconductor-related equipment	60	(15%)	34.4	(11.9%)	-*	-*	△: Passing on the cost of high component prices is an issue
	Other automatic labor-saving equipment, etc.	20	(10%)	9.1	(4.7%)	-*	-*	△: Profitability worsened due to specific products
	Total	100	(10%)	59.2	(7.5%)	54.0	(6.0%)	△: Improving profit margins in each segment is an issue
Cumulative capital investment (% increase (decrease))	Investment to strengthen production/ development capacity	60		21.6 (36.0%)		57.8 (96.3%)		○: Responding to an increase in orders received in the automotive and semiconductor fields
	Investment in biological genetic resources (mainly plant genetic resources) R&D	40		0.8 (2.0%)		14.5 (36.2%)		△: Delay in equipment arrangements due to the impact of COVID-19
	IT system-related investment	10		4.6 (46.0%)		6.0 (60.0%)		○: Implemented major update of core systems
	Total	110		27.0 (24.5%)		78.3 (71.1%)		○: Ensuring IT system-related investment during the fiscal year under review is an issue

* Forecast for operating profit by segment for the fiscal year ending March 31, 2024 has not been disclosed ended.

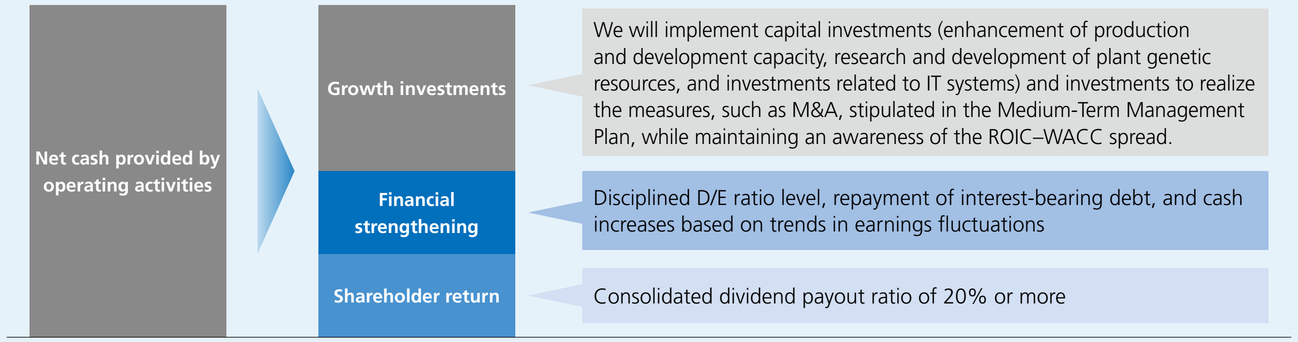
Cash Conversion Cycle



Financial Strategy in Current Medium-Term Management Plan (Cash Allocation Concept)

While effectively investing generated operating cash flows as growth capital for capital investment and M&A, targeting existing businesses and businesses in which future expansion is expected, we will also work to strengthen our finances by repaying interest-bearing debt and increasing cash on hand.

Distribution of Net Cash Provided by Operating Activities



Shareholder Return Policy

The Group considers the return of profits to shareholders to be one of the most important management issues. While working to strengthen our financial position, as a general guideline, we are aiming to maintain a consolidated payout ratio of 20% or more, while taking into consideration consolidated performance and future business development, and striving to achieve returns in a stable and continuous manner.

In FY2022, the consolidated dividend payout ratio was 21.9%, and dividends per share came to ¥90. Going forward, we will discuss shareholder return policies while paying close attention to various changes, such as feedback from shareholders and investors with regard to shareholder returns and the business environment, without being bound by a conventional shareholder return policy.

Changes in Dividends per Share and Consolidated Dividend Payout Ratio