Financial/Capital Strategies

Summary of Fiscal 2023 and Recognition of Environment

We received orders for production equipment from manufacturers of products in a wide range of fields, such as electric vehicles (EVs) and other automotive-related products, semiconductor-related equipment, and other automatic labor-saving equipment. Therefore, due to changes in the economic conditions in Japan and overseas, changes in economic trends, changes in the life cycles of customer products and other factors, fluctuations in capital investment 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 return on invested capital (ROIC) that exceeds the weighted average cost of capital (WACC). In fiscal 2023, we achieved net sales of ¥82.839 billion, operating profit of ¥6.047 billion, an operating profit ratio of 7.3%, and ROE of 7.0%. ROIC was 6.3% compared to a WACC of 6.1% due to an increase in invested capital resulting from an increase in accounts receivable and an increase in fixed assets due to investments in plant and equipment, as well as the effect of profit suppression due to price hikes.

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. We will strengthen process control and thoroughly 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 the number of days to turn trade receivables, an increase in the number of days to turn inventory due to longer delivery dates for parts, and a decrease in the number of days to turn trade payables 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)

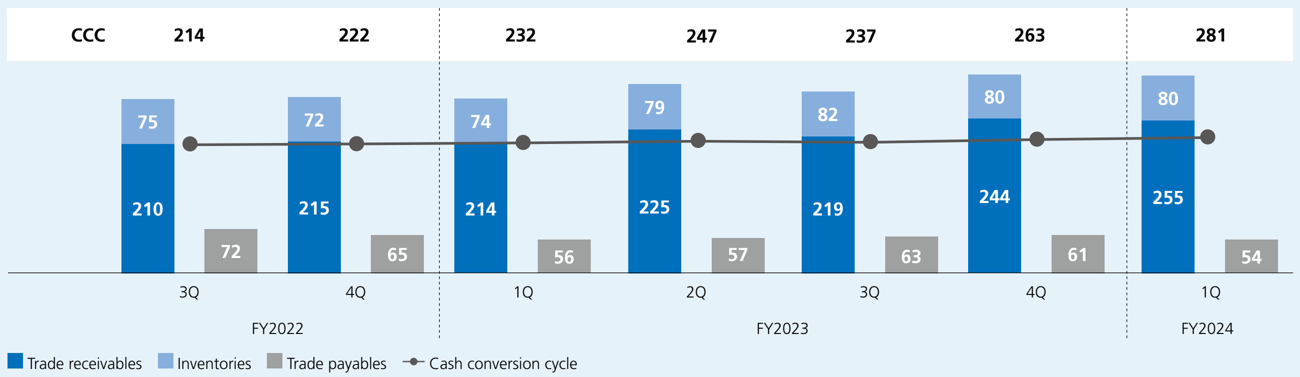
	Segment	FY2022 Results	FY2023 Results	FY2024 Targets	FY2024 Forecast
Net sales	Automotive-related Equipment	302	369	400	500
	Semiconductor-related Equipment	289	273	400	290
	Other Automatic Labor-saving Equipment	169	160	200	190
	Other	22	24		20
	Total	784	828	1,000	1,000

	Segment	FY2022 Results		FY2023 Results		FY2024 Targets		FY2024 Forecast	
Operating profit (loss) (Operating profit loss ratio)	Automotive-related Equipment	15.5	5.1%	16.5	4.5%	20	5%	–*	–*
	Semiconductor-related Equipment	34.4	11.9%	44.5	16.2%	60	15%	–*	–*
	Other Automatic Labor-saving Equipment	9.3	5.5%	1.1	0.7%	20	10%	–*	–*
	Other	(0.1)	(0.7)%	(1.7)	(7.3)%			–*	–*
	Total	59.2	7.5%	60.4	7.3%	100	10%	75	7.5%

* FY2024 forecast for operating profit/operating profit ratio has not been disclosed.

	Segment	FY2022 Results	FY2023 Results	FY2024 Targets	FY2024 Forecast
Cumulative capital investment (% increase (decrease))	Investment to strengthen production/ development capacity	21.6 (36.0%)	50.0 (83.3%)	60	69.4 (115.6%)
	Investment in biological genetic resource R&D	0.8 (2.0%)	16.2 (40.5%)	40	16.2 (40.5%)
	IT system-related investment	4.6 (46.0%)	12.8 (128.0%)	10	16.0 (160%)
	Total	27.0% (24.5%)	79.0 (71.8%)	110	101.6 (92.3%)

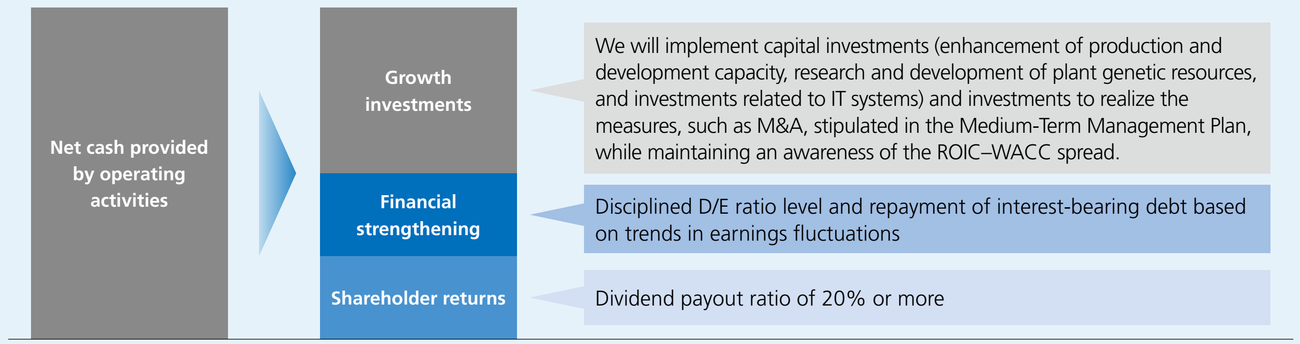
Cash Conversion Cycle



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

While effectively investing 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.

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 fiscal 2023, the consolidated dividend payout ratio was 23.9%, and dividends per share came to ¥100. 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