COMPANY RESEARCH AND ANALYSIS REPORT

# Fuji Die Co., Ltd.

## 6167

Tokyo Stock Exchange Prime Market

8-Feb.-2024

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# Summary

## Aiming to be one of the world's leading manufacturers with powder metallurgy technology and high precision ultra-precision processing technology

Fuji Die Co., Ltd. <6167> (hereafter, also "the Company") has for many years held the top share—over 30%—of the carbide wear-resistant tool market since its founding in 1949. It has continued to operate profitably since its founding and boasts a high equity ratio of 76.3%. At the fiscal 2023 Japan Cutting and Wear-resistant Tool Association Awards, the Company received the Grand Prize for Technical Achievement, the most prestigious award given. Fuji Die's technical capabilities are very highly regarded. With an integrated production system from material development to alloy manufacturing, the Company mainly sells high value-added finished products, a trait that distinguishes it from its competitors.

In FY3/24 1H results, net sales declined 1.9% year-on-year (YoY) to ¥8,210mn, operating profit decreased 23.6% to ¥441mn, ordinary profit declined 24.1% to ¥501mn, and profit attributable to owners of parent decreased 16.4% to ¥380mn. Along with a decline in demand from stagnation in China's economy, there was a slump in molds for automotive parts due to the impact of inventory adjustments by automotive parts makers. These factors caused the slight decline in net sales. On the profit front, the Company raised productivity and adjusted prices in connection with spikes in raw material and electricity prices, but the effects of lower sales and an increase in temporary expenses associated with construction of a metallurgy building at the Kumamoto Manufacturing Plant resulted in double-digit declines in profits.

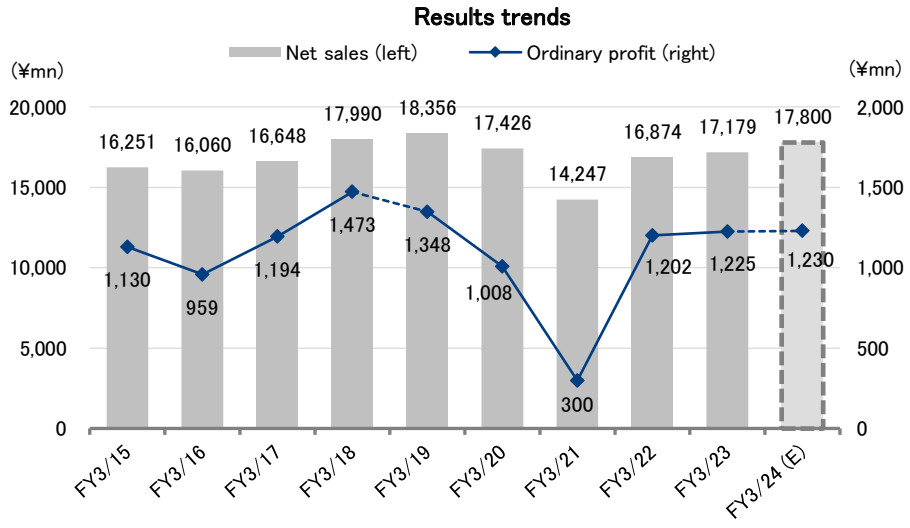
In FY3/24, 1H earnings are proceeding according to plan and there have been no changes in forecasts. Automotive parts production is expected to recover in 2H, so the Company is still forecasting net sales to increase 3.6% YoY to ¥17,800mn, operating profit to increase 1.7% to ¥1,170mn, ordinary profit to edge up 0.4% to ¥1,230mn, and profit attributable to owners of parent to decline 31.1% to ¥890mn.

In June 2021, in the first phase of the Company's medium-term management plan, the Company's targets for FY3/24 were net sales of ¥17,000mn and operating profit of ¥1,490mn, but with regard to operating profit, it has revised its initial forecast given the impact of spikes in raw material and electricity prices. The second phase of the plan, however, is targeting net sales of ¥20,000mn and operating profit of ¥2,500mn for FY3/27. It is expected that these earnings targets will not be met due to changes in the business environment, but the basic concept of the first phase, converting to a robust corporate structure and building a foundation for medium- to long-term growth, is proceeding, and in the second phase, the Company is aiming for an operating margin of 12.5% or higher thanks to expanded sales and higher profitability.

### Key Points

- In FY3/24 1H, net sales dropped 1.9% and operating profit fell 23.6% due to stagnation in China's economy and automotive parts production being slow to recover
- For FY3/24, the Company expects a recovery in automotive parts production in 2H and so has left its forecasts unchanged at a 3.6% increase in sales and 1.7% increase in operating profit
- Under the medium-term management plan, for FY3/27, the Company is aiming for net sales of ¥20,000mn and operating profit of ¥2,500mn

Summary




Source: Prepared by FISCO from the Company's financial results

# Company profile

## Dedicated manufacturer of cemented carbide tools and molds (wear-resistant tools)

### 1. History and business overview

The Company's main business is the manufacture and sale of carbide wear-resistant tools and molds using cemented carbide. It has maintained the top share of the market for many years as a dedicated carbide wear-resistant tool company.

A defining feature of the Company is that it designs the optimal tools and molds for each product material or application and has an integrated production system, from pulverizing, mixing, and granulating the raw material powders to sintering, machining, and product inspection. It has strength in low-volume, high-mix production and secures profitability from sales of high value-added products, which have high prices on average, distinguishing itself from its competitors in the industry that mostly sell materials.

### 2. Business description

The Company specializes in the manufacture of tools and molds (wear-resistant tools) centering on cemented carbide products, and it mainly handles four types of products. Its sales mix in FY3/24 1H was 28.7% carbide tools, 23.1% carbide molds, 23.9% other carbide products, and 24.4% non-carbide.

# Results trends

## In FY3/24 1H results, net sales edged down 1.9% and operating profit fell 23.6% from stagnation in China's economy and automotive parts production being slow to recover

### 1. FY3/24 1H results overview

In FY3/24 1H results, net sales declined 1.9% year-on-year (YoY) to ¥8,210mn, operating profit decreased 23.6% to ¥441mn, ordinary profit declined 24.1% to ¥501mn, and profit attributable to owners of parent decreased 16.4% to ¥380mn. Along with a decline in demand from stagnation in China's economy, there was a slump in molds for automotive parts due to the impact of inventory adjustments by automotive parts makers. These factors caused the slight decline in net sales. On the profit front, the Company raised productivity and adjusted prices in connection with spikes in raw material and electricity prices, but the effects of lower sales and an increase in temporary expenses associated with construction of a metallurgy building at the Kumamoto Manufacturing Plant resulted in double-digit declines in profits.

**FY3/24 1H results**

(¥mn)

| | FY3/23 | | | FY3/23 1H | | FY3/24 1H | | |
|---|---|---|---|---|---|---|---|---|
| | Result | Sales ratio | YoY | Result | Sales ratio | Result | Sales ratio | YoY |
| Net sales | 17,179 | 100.0% | 1.8% | 8,367 | 100.0% | 8,210 | 100.0% | -1.9% |
| Cost of sales | 12,717 | 74.0% | 1.5% | 6,217 | 74.3% | 6,110 | 74.4% | -1.7% |
| SG&A expenses | 3,310 | 19.3% | 2.6% | 1,571 | 18.8% | 1,658 | 20.2% | 5.5% |
| Operating profit | 1,150 | 6.7% | 3.3% | 578 | 6.9% | 441 | 5.4% | -23.6% |
| Ordinary profit | 1,225 | 7.1% | 1.9% | 661 | 7.9% | 501 | 6.1% | -24.1% |
| Profit attributable to owners of parent | 1,292 | 7.5% | 63.5% | 454 | 5.4% | 380 | 4.6% | -16.4% |

Source: Prepared by FISCO from the Company's financial results

### 2. In FY3/24 1H, stagnation in the Chinese economy and slowing in molds for automotive parts caused by the impact of inventory adjustments by automotive parts makers resulted in net sales declining 1.9% YoY and operating profit 23.6%

Looking at trends in net sales by product category, in carbide tools, grooving rolls for overseas customers were solid and the category was steady overall as net sales increased 9.4% YoY to ¥2,353mn despite soft semiconductor-related demand and a decline in related tools. In carbide molds, there was a strong performance from molds parts for optical elements but due to inventory adjustment by automotive parts makers molds for automotive parts did not perform well, leading sales to decline 8.8% to ¥1,894mn. In other carbide products, sales of molds related to partial expansion in demand for semiconductors performed well, but with China's economy stagnating, sales of materials to China were weak and sales declined 6.7% to ¥1,958mn. In non-carbide products, tools and molds for certain steel automotive parts makers performed solidly, though sales of drawn steel pipes performed poorly, for category sales of ¥2,003, a decline of 1.7%.

### 3. Conditions by customer industry category

Looking at net sales by the main industry categories on a non-consolidated basis, sales increases 1.0% YoY to ¥6,780mn in the six main industries. On a consolidated basis, revenue was down and positive revenue was secured in the six main industries on a non-consolidated basis. Breaking it down, transportation machinery performed poorly due to a slow recovery in automotive parts production, with sales decreasing 3.8% to ¥1,280mn. At the same time, for iron and steel, there was strong demand for pipes for energy-related applications, so dies and plugs for steel pipe sold steadily, leading to a double-digit increase in sales of 15.6% to ¥1,410mn. In the non-ferrous and metallic products category, grooving rolls performed well as sales rose 8.3% to ¥1,180mn. For electrical and electronic components, a change in the production site for products for automotive batteries to the U.S. had a major impact, and along with the slump in semiconductor production, category sales declined by 15.8% to ¥800mn. In the production and commercial machinery category, there was strong demand for applications for semiconductor manufacturing equipment and optical elements, with sales rising by 8.6% to ¥1,010mn. In the materials for molds and tools category, stagnation in China led sales to decline by 7.6% to ¥1,100mn.

On the profit front, lower net sales, the impact of surging prices for raw materials and electricity, and high temporary costs from building a new metallurgy building at the Kumamoto Manufacturing Plant cancelled out the effects of productivity improvement / business efficiency improvement, and this inevitably led to a decline in operating profit.

### 4. Financial condition and management indicators highly sound

The Company has continued profitable operations since its founding and maintains a high equity ratio. Cash on hand is also abundant, so the Company has maintained a strong financial structure even in a difficult earnings environment.

**Consolidated balance sheet and key management indicators**

(¥mn)

| | End-FY3/22 | End-FY3/23 | End-FY3/24 1H | Change |
|---|---|---|---|---|
| Current assets | 15,331 | 15,724 | 15,361 | -363 |
| Non-current assets | 10,048 | 10,528 | 11,268 | 740 |
| Total assets | 25,380 | 26,253 | 26,629 | 376 |
| Current liabilities | 4,383 | 4,197 | 4,650 | 453 |
| Non-current liabilities | 1,692 | 1,662 | 1,653 | -9 |
| Total liabilities | 6,076 | 5,860 | 6,304 | 444 |
| Net assets | 19,303 | 20,392 | 20,325 | -67 |
| (Safety) | | | | |
| Current ratio | 349.8% | 374.6% | 330.3% | -44.3pt |
| Equity ratio | 76.1% | 77.7% | 76.3% | 1.4pt |

Source: Prepared by FISCO from the Company's financial results

# Outlook

## For FY3/24, the Company's forecast remains unchanged, projecting increased net sales of 3.6% and increased operating profit of 1.7% as it expects a recovery in automotive parts production in 2H

● Outlook for FY3/24

For consolidated results in FY3/24, 1H earnings are proceeding according to plan and there has been no change to full-year forecasts. Partly because automobile production will normalize in 2H, the Company is projecting net sales of ¥17,800mn, a YoY increase of 3.6%, operating profit of ¥1,170mn, an increase of 1.7%, ordinary profit of ¥1,230mn, an increase of 0.4%, and profit attributable to owners of parent of ¥890mn, a 31.1% decrease caused by extraordinary income of ¥632mn being recorded last year on the sale of non-current assets.

There is no change in forecasts by main industry category (non-consolidated) for FY3/24. In all industries, a YoY increase is expected. However, as of 1H, there are differences in progress rates between industries and in actuality they are expected to trend differently than initial forecasts.

For transportation machinery, the Company's largest customer, it is expecting net sales to increase 2.6% YoY to ¥2,740mn as automotive parts production recovers in 2H. Currently, the 1H progress rate stands at 46.7%. The rate has been affected by low sales of molds for automotive parts due to inventory adjustments by automotive parts makers, and while there are signs of a recovery in 2H, a full-fledged recovery is expected for 3Q and on. For this reason, the Company's forecast may be a high hurdle to clear.

For iron and steel, the Company is projecting sales of ¥2,650mn, an increase of 3.1% YoY. The progress rate in 1H is 53.2% as demand for dies and plugs for steel pipes has been solid, and in 2H as well, along with this, expanded sales are expected for blades for electromagnetic steel sheets, so sales could exceed the Company's forecast.

For non-ferrous and metallic products, sales are expected to be ¥2,380mn, an increase of 5.3%, and the 1H progress rate was 49.6%. In 1H, overseas demand for grooving rolls was strong, and in 2H a recovery in can making molds is expected, so overall sales are expected to be in line with forecasts.

For production and commercial machinery, sales are projected at ¥2,090mn, up 2.0%, and the 1H progress rate is at 48.3%. Products for optical elements and semiconductor manufacturing equipment part have been solid, and are expected to remain so in 2H as well, so sales in line with forecasts can be expected.

For electrical and electronic components, sales of ¥2,110mn, an increase of 15.3%, are expected as demand for products for automotive batteries increases. However, the 1H progress rate is just 37.9% due to the impact of moving a production site for products for automotive batteries. This impact is expected to remain in 2H, so it will likely be difficult to achieve the initial forecast of over ¥2,000mn.

For materials for molds and tools, the Company is forecasting sales of ¥2,540mn, a 10.0% increase, but with the slowdown in the Chinese economy having an impact, the progress rate for 1H was only 43.3%. A recovery is expected in 2H for increased sales of carbide materials for motor core molds, but it will take some effort to make up for the insufficiency of 1H.

Overall, for iron and steel an increase is expected; for non-ferrous and metallic products and for production and commercial machinery results are expected to be in line with forecasts, and for transportation machinery, electrical and electronic components, molds and tools, it appears it will require effort to reach the sales targets. The hurdle to achieving the Company's overall sales target is expected to be high. For profits as well, price adjustments to sales prices are expected to proceed in 2H, but if sales forecasts are not met, profit can be expected to be down somewhat.

# Medium- to long-term growth strategy

## Increase operational efficiency, develop new products in growth fields, and promote global expansion

**1. Converting to a robust corporate structure, building a foundation for medium- to long-term growth**

In June 2021, for the first phase of the medium-term management plan, the Company set targets for FY3/24 of net sales of ¥17,000mm and operating profit of ¥1,490mn. However, these initial forecasts have been revised due to the impact of surging prices for raw materials and electricity. However, in the second phase, targets have been set for FY3/27 of net sales of ¥20,000mn and operating profit of ¥2,500mn. Due to changes in the operating environment, these earnings targets are expected not to be met, but the basic concept of the first phase of converting to a robust corporate structure and building a foundation for medium- to long-term growth is proceeding, and in the second phase, by expanding net sales and raising profitability the Company is aiming for an operating margin of 12.5% or higher.

**2. Respond to next-generation vehicles / Sales expansion**

Regarding expanding the Company's range of business, it is extremely important to accommodate the automotive industry, which is its largest customer. For this, the Company will focus on rechargeable batteries, motor cores and magnets.

Regarding molds for forming rechargeable battery cases, the Company mainly supplies cylindrical molds to Japanese manufacturers. However, its main customer is expected to move its production site to the U.S., so sales in 2Q decreased substantially compared to 1Q. Impacted by this, the 1H progress rate against sales plans for electrical and electronic components was only 37.9%. Due to this change, recently demand has temporarily fallen, and the Company is now more actively working to receive orders, including from new customers, because the remaining domestic demand continues to be on the upswing.

Given this environment, the Company will focus on circular and rectangular molds as well. Regarding rectangular molds, in Japan, production will be strengthened at Prime Planet Energy & Solutions, Inc. (PPES), a joint venture of Toyota Motor Corporation <7203> and Panasonic Corporation, but overseas, with Toyota Tsusho Corporation <8015>, Toyota Motor decided to build its own battery factory. Toyota Motor plans to invest $13.9bn by 2030 to build a factory with annual production volume of 30 GW (equivalent to 400,000 electric vehicles) in the U.S. state of North Carolina, with mass production scheduled to begin in 2025. In this manner, lithium ion battery production in the U.S. will expand greatly, and based on this the Company is strengthening its market research in the U.S. At any rate, lithium ion batteries require quality and precision of its parts in order to ensure their safety and they need high-precision molds. High growth is expected to return starting in FY3/25. Moreover, long term, the government intends to establish manufacturing capacity by 2030 of 150 GWh/year in Japan and 600 GWh/year globally (20% global share) to become a leading global site for development and production, so growth in this area will continue.

Regarding molds for motor cores, sales of cemented carbide materials are increasing for Japanese motor core manufacturers. In this market, there is significant competition both in Japan and overseas. Currently, as an application, hybrid cars (HEVs) are prevalent, but the Company is anticipating the rapid growth of electric vehicles (EVs) and introduced a new material type, VG48. Compared to HEV applications, EV applications require higher output and torque, so the diameter needs to be larger. Specifically, the diameter is around 100-150 mm for HEVs, whereas it is 150-200m for EVs. Also, with EVs, driving distance is an issue. It can be lengthened without changing the battery capacity by raising the RPMs and increasing the motor's output. Specifically, raising output requires increasing the magnetic density, so the number of layers of electromagnetic sheets will increase. HEVs take 100-200 layers of sheets, whereas there are many examples of EVs taking 200-300 layers. However, when the number of layers increase, iron loss from eddy currents increases, so the electromagnetic sheets have to be thin. It is necessary to harden the sheets in order to prevent warping and damage without lowering their strength. VG48 was developed to accommodate these sorts of demands. The same cemented carbide has the durability to withstand high loads when stamping the motor core, and in terms of wear resistance, it is an 25% improvement on existing products, so it appears that it distinguishes itself against the competition.

Currently, the Company mainly supplies the base carbide materials for HEV motor core molds, but the major company Mitsui High-tec, Inc. is shifting from conventional dowel layering using crimping for EVs to the adhesive method or external dowel method. In particular, Toyota Motor has a policy of lowering iron loss by heating the electromagnetic sheets and annealing, so with the adhesive method, it cannot anneal because the adhesive melts. By expanding its lineup of carbide materials for motor core molds, the Company will increase its customer options, and going forward if certified by makers, significant growth can be expected. Kuroda Precision Industries Ltd. has expanded communications for EVs to Tesla and European EV makers, but in part because the sales targets of LucidMotors, which has some customers in the U.S., have been downwardly revised, this was likely a reason for the sluggishness in FY3/24 1H, but the situation is temporary, and in FY3/25, mass production by European manufacturers is likely to increase demand for the Company. In addition, the Company will aim to expand sales centering on supply of base carbide materials for existing motor core mold makers, but will also actively supply motor core molds to automotive parts makers and electric machinery makers newly entering the EV motor market. In response to growing demand going forward, at the Okayama Manufacturing Plant the Company has established CIP equipment (cold isostatic pressing: a machine that molds by using a fluid as the pressure medium and applying a strong isotropic pressure to the powder), which has been in full operation since September 2023. This raises facility capacity by 15% and also improves maintainability. If mold supply increase, sales can be expected to go up and further added value to increase as well.

With regard to magnets, demand is expected to increase for neodymium magnets with the full-fledged expansion of EVs, centering on in-vehicle use. The Company supplies molds for powder molding and also molds and mold materials to overseas markets, so as EVs expand, demand can be expected to grow.

Taking an overall view, if sales in FY3/20 1Q is put at 100, recently in FY3/24 2Q the level has fallen to 96-97, but for 1H the level averages 110. Normally an annual growth rate of 20% or more is expected, and FY3/24 is projected to fall short of forecasts. However, the spread of EVs is accelerating and sales growth is likely to reaccelerate in FY3/25 and onward.

**3. Creation of new growth engines**

The Company is focused on developing high value-added products that anticipate market needs even outside the vehicle industry. The COVID-19 pandemic lasted two years and progress on new product development and new technology development has been sluggish, but development is proceeding once again and there should be many items for mass production in fiscal 2026.

In the medical and chemicals field, molds for forming analytical devices (micro-channel), have progressed from sample response for evaluation to prototype evaluation. Conventionally, micro-channels are formed on a PDMS resin (polydimethylsiloxane: a type of silicon) substrate and a steel mold is used for the device shape. However, analytical devices made from a resin have issues with chemical and heat resistance, and when that occurs, an analytical device made from glass is used. Forming a glass analytical device is done at high temperatures in an inert gas environment, and high specularity is obtained compared to steel, so there is increasing need for cemented carbide molds. The Company used binderless cemented carbide (alloy similar to typical cemented carbide that readily produces specularity and does not include metallic bonded cobalt and nickel, etc.), which has exceptional wear resistance and vibration characteristics and utilized direct engraving technology to create a prototype of a cemented carbide mold for analytical devices with pitch precision of 1μm and contour accuracy of 5μm.

Moreover, the Company developed the TR alloy with a thermal expansion coefficient and low specific gravity that exceeds the thermal expansion coefficient 8MK-1, which had not been possible with binderless cemented carbide in the past, (and which won the Grand Prize for Technical Achievement at the fiscal 2023 Japan Cutting and Wear-resistant Tool Association Awards). It approximates the thermal expansion coefficient of a glass material and makes it easy to strip off the glass molding from the mold after formation, which could improve yields. Applications include imaging lenses (refer to the below) and medical devices, for example. In particular, the manufacturing process of medical analytical devices involves etching and directly processing of the glass, which becomes a cost bottleneck. If print formation with a mold can be achieved for the aforementioned analytical devices and medical devices, it would reduce costs by a large margin and can be expected to be developed for preventive medicine, including blood testing, and to expedite the process when using point-of-care testing (POCT). There is the potential for a large market to emerge. In addition, the new TR alloy can be expected to be applied to the molds for microwell plates (a plate with many small transparent indentions used for microanalysis in bacteriology and serology). However, in the medical and chemicals field, R&D at research institutes and the like will account for the majority, and even in the second phase of the medium-term management plan, material development will be primary; it is expected to take some time before a lineup is created and mass production begins.

Medium- to long-term growth strategy

In the environment and energy field, focus is increasingly on an alloy (ST60) that substantially reduces use of the rare metals tungsten and cobalt. It is lighter than steel and hard and tough like cemented carbide. The material was reported on by specialized journals, and it positively affected the Company's stock price. Actually it won the Encouragement Award at the 2023 'CHO' MONODZUKURI Innovative Parts and Components Awards sponsored by the Nikkan Kogyo Shimbun. Specifically, it has a lower specific gravity than cemented carbide, so the Company is targeting expansion into the rotary tools field (rotary crushers, hammers), areas where cemented carbide has been difficult to apply because of its higher specific gravity. Currently, the Company is targeting screws for kneading machines and other such applications, and testing with customers is underway. As of the present, a small launch can be expected. It can be manufactured at existing facilities at the Okayama Manufacturing Plant, but if mass produced in the future, the Company is looking to create a dedicated section at the Okayama facility. This alloy has the potential to be a means of ensuring business continuity for the Company because there is supply risk around rare metals like tungsten and cobalt due to the friction between the U.S. and China and the Russia problem.

In addition, the Company is developing $CO_2$ reduction catalysts and hydrogen generation catalysts. This is proceeding alongside development of catalysts for rechargeable batteries, but in the field, many companies and research institution are carrying out development, so the Company's powder metallurgy technologies and high-pressure synthesis technologies will likely be the key to differentiating itself.

In the optical field, the applications long sought by its mold (TR alloy) for lenses with high thermal expansion are finally expanding, and growth is expected to accelerate. As mentioned previously, TR alloy approximates the thermal expansion coefficient of glass, which makes it easy to remove the glass molding from the mold after formation, and this has the potential to improve yields. For this reason, it is expected to be applied to lenses for ultrared cameras. However, actually, there is a high level of need for molds for aspherical lenses used for taking pictures with mirrorless single-lens cameras. Currently, digital cameras have entered the mirrorless age, and, moreover, full-size mirrorless lenses are expanding rapidly. Interchangeable lenses have a diversity of aspherical lenses in order to raise resolutions (up to four in one camera), and lens diameters are increasing as well. Interchangeable lenses are larger than the lenses used in compact digital cameras and thermal expansion changes the glass dimensions greatly, so for a quality forming process the curvature needs to be controlled at the sub-micro level, and the mold's thermal expansion ratio has a big impact. This is why demand is high for this new alloy. Moreover, recently, the alloy's applications are beginning to expand to a base material for molds for chalcogenaide glass (glass that allows far infrared light to pass through so an object's heat source can be identified), which is a material traditionally used for far infrared lenses. One of the reasons for this is that the alloy can be stably supplied as it does not use tungsten or cobalt, whose production is concentrated in specific regions. Over the medium term, there is the potential for demand to expand greatly for mold applications for infrared lenses for security cameras used in advanced driver assistance systems (ADAS), which are common in autonomous driving and other such applications. While accommodating the current diameter of around 100 x 50L, cameras are getting wider angled and there is mounting need for high resolution for larger sized sensors, as large-diameter products are being commercialized and application development is expected to make further progress.

In other fields, the Company is developing a 3D-shaped cemented carbide. Hardening molds and parts in shapes that could not be produced previously will make it possible to raise wear-resistance and increase longevity. The Company is currently making manufacturing samples and diversifying the composition of cemented carbide powder as it works toward practical application. However, in this field, companies like Fujimi Incorporated and Sumitomo Electric Industries, Ltd. <5802> are conducting development, so the key will be how fast development can be carried out.

As a business supporting earnings growth in the next medium-term management plan, product groups have appeared that are expected to grow into mass production, and going forward can be expected to flower greatly in the second phase as a new pillar for the future.

**4. Strengthening of overseas business**

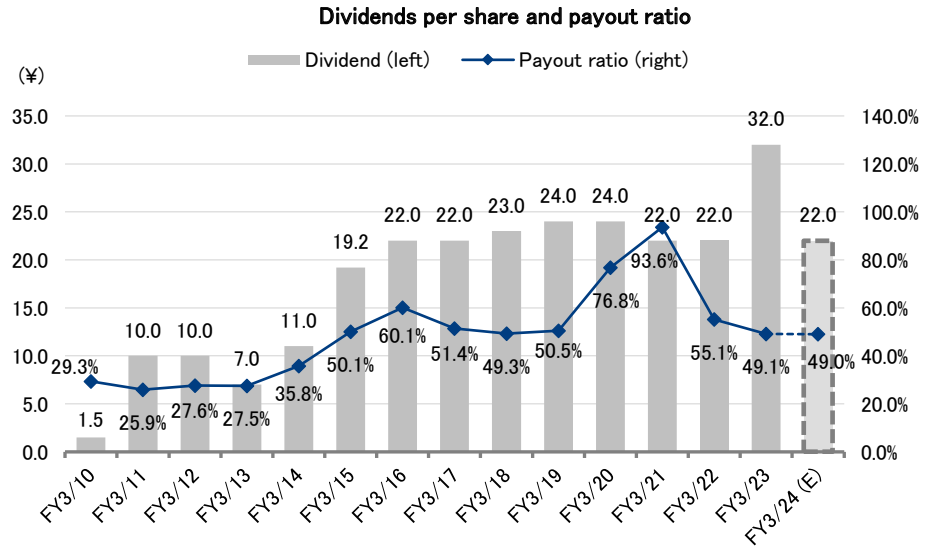
In strengthening overseas business, with regard to increasing overseas sales centering on Asia, the Company has intended to pursue sales expansion through both subsidiaries and exports. In FY3/23, overseas sales totaled ¥3,395mn, a 5.1% increase YoY, for an overseas sales ratio of 19.8%. Approximately 180 employees are involved in overseas operations. For FY3/24, the aim is net sales of ¥3,560mn, up 4.9%, and a sales share of 20%. Recently, it has been somewhat of a struggle to meet forecasts due to the deterioration in the Chinese economy, but in July 2023, the Company established an Overseas Business Division, assigned an officer in charge and in this way is strengthening overseas business. In China, the Company aims to expand new customers among EV-related parts manufacturers where there is large latent demand. Also, regarding India, the Company is actively doing market research and expanding sales with a view to reopening its dormant local subsidiary to meet full-fledged growth in vehicle production. Further, in North America, which has barely been mentioned, the Company is preparing to expand sales by doing market research and establishing relationships with local companies. Through these measures, it will seek to achieve a 25% overseas sale ratio.

# Policy on shareholder returns

## Targeting a consolidated payout ratio of 50%; expects to pay ¥22.0 in FY3/24

The Company's policy on shareholder returns has been to appropriately allocate profits with a target consolidated payout ratio of 50%. In FY3/23, it had planned a dividend of ¥22.0, unchanged from initial forecasts, but it sold an idle asset, specifically the former Osaka Plant, and recorded an extraordinary gain that put its EPS a ¥65.19, so targeting a payout ratio of 50%, it added ¥10.0 to the annual dividend, for a dividend of ¥32.0. In FY3/24, it expects an EPS of ¥44.87, so a 49.0% payout ratio would put the annual dividend at ¥22.0.

Policy on shareholder returns




Source: Prepared by FISCO from the Company's financial results and securities report

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