COMPANY RESEARCH AND ANALYSIS REPORT

Fuji Die Co., Ltd.

6167

Tokyo Stock Exchange Prime Market

3-Sep.-2024

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Contents

Summary

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

Fuji Die Co., Ltd. <6167> (hereinafter, "the Company") was founded in 1949 when founder Takayoshi Shinjo launched a business to take on the challenge of repairing wire-drawing dies. Since then, it has manufactured wear-resistant tools and molds, particularly cemented carbide products. The Company has maintained a long-term top market share of at least 30% in the carbide wear-resistant tool industry, continued profitable operations since its founding, and had a high equity ratio of 79.0% at the end of FY3/24.

In FY3/24 consolidated results, net sales were ¥16,678mn, a decrease of 2.9% year on year (YoY), operating profit decreased 29.7% to ¥809mn, ordinary profit declined 28.0% to ¥882mn and profit attributable to owners of parent was down 45.1% to ¥709mn. Sales decreased due to stagnation in demand in China, delayed recovery in automotive part-related molds amid inventory adjustments by automotive part manufacturers, and weaker demand for rechargeable battery molds and drawn steel pipes, despite expanded demand for molds for motor cores and semiconductor production equipment. There was a double-digit decrease in profits due to lower sales and one-time expenses to expand the Kumamoto Manufacturing Plant, in spite of raised productivity, the results of operational reform and the effects of price revisions. Profit attributable to owners of parent dropped sharply due in part to a rebound decrease arising from having recorded gain on sale of non-current assets of ¥632mn in FY3/23.

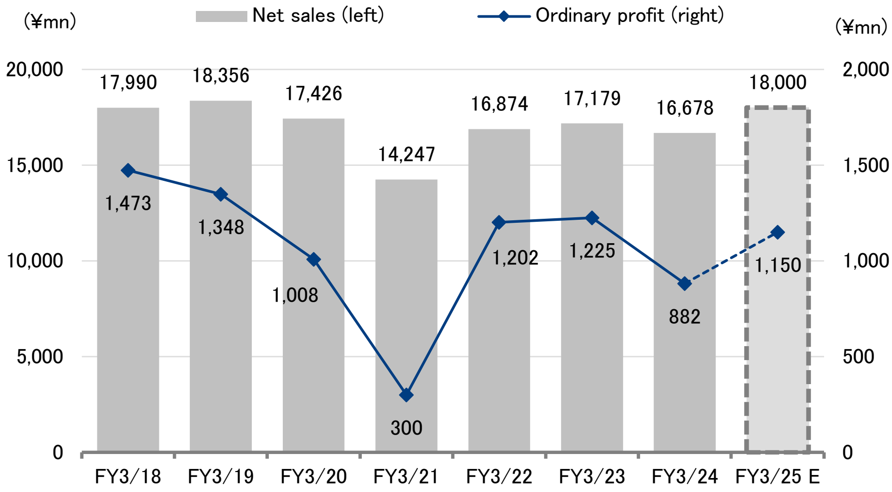
For FY3/25 consolidated results, the Company forecasts net sales of ¥18,000mn (up 7.9% YoY), operating profit of ¥1,020mn (up 26.1%), ordinary profit of ¥1,150mn (up 30.4%), and profit attributable to owners of parent of ¥830mn (up 17.0%). It forecasts higher sales and profits led by sales gains on recovery in automotive parts-related molds and development of the Chinese market.

The Company formulated a new medium-term management plan with a central concept of "transforming the company structure to adapt business resilience" and aims to achieve net sales of ¥20,000mn. operating profit of ¥2,000mn, an ordinary profit margin of 10.5% and ROE of 7.0% in FY3/27. In priority measures, it aims to strengthen the management foundation, increase productivity and improve business efficiency, leap forward in overseas business, and develop new business. It also wants to be a company that contributes to a zero-carbon/recycling-based society.

Key Points

- In FY3/24, net sales dropped 2.9% and operating profit fell 29.7% due to delayed recovery in automotive related molds through inventory adjustments by automotive part manufacturers and the impact of stagnation in China's economy
- For FY3/25, forecasts increase in net sales of 7.9% and operating profit of 26.1% on recovery in automotive part molds and cultivating the Chinese market
- Formulated Medium-Term Management Plan 2026, aiming for net sales of ¥20,000mn and operating profit of ¥2,000mn in FY3/27

Results trends



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

Company profile

Top specialty manufacturer of cemented carbide tools and molds (wear-resistant tools)

1. History and business overview

The Company primarily manufactures and sells high-precision wear-resistant tools and molds that use cemented carbide, and has held the leading market share of over 30% for many years as a specialty supplier of carbide wear-resistant tools. Wear-resistant tools are tools used in plastic deformation without chips or cutting scraps, and this category includes dies, rolling tools, shearing tools, molds, press molds, and industrial nozzles. There are many applications, such as molds for powder molding, rolls for wire and bar rolling, glass lens molding, water jet nozzles, sand blast nozzles, tar sands nozzles, and kneader machine parts, crusher parts, machinery seals, and other wear-resistant parts. The entire industry weakened substantially in FY3/21 due to the impact of the COVID-19 pandemic, and while the Company rapidly recovered in FY3/22, earnings have subsequently been sluggish.

A defining feature of the Company is that it designs, based on customer requests in the manufacturing process, the optimal tools and molds for each product material or application and has an integrated production system, from pulverizing, mixing using powder metallurgy technology, and granulating the raw material powders to sintering, machining, and product inspection to provide products. The Company emphasizes autonomy by avoiding skewed sales reliance on even the largest customers, is strong in low-volume, high-mix production and secures profitability from sales of high value-added products, which have high prices on average.

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 was 28.7% carbide tools, 23.5% carbide molds, 24.0% other carbide products, and 23.8% non-carbide products.

Main products and specific application examples

Product categories	Main products	Specific application examples
Carbide tools	Dies, plugs	Wire and pipe production tools
	Grooving plugs	Production tools for heat exchanged pipes
	Hot rolling mills	Production tools for iron and steel materials
	Cold-forming rolls	Production tools for building materials and pipes
	Ultra high pressure generation tools	Production tools for synthetic diamonds and cBN
	Kneading tools	Production tools for plastics and ceramics
	Cutting items	Cutters for cutting steel sheets, films, and foils
Carbide molds	Molds for automotive parts	Molds for production of engine, drive, steering, and safety mechanism parts
	Can manufacturing tools	Molds for production of beverage cans and food cans
	Battery-related molds	Molds for production of battery cases and battery parts, molds for automotive batteries
	Mold parts for optical elements	Molds for production of glass lenses
	Powder compacting molds	Molds for production of magnets and sintered parts
	Semiconductor and electronic component molds	Molds for production of sealing materials
Other carbide products	Various parts	Various equipment parts
	Carbide blank materials	Various molds and tools, cutter materials
Non-carbide	Steel products	Molds for production of beverage cans, engine parts, etc.
	Ceramic products	Machinery tools and jigs
	FHR products	Heat-resistant materials, casting materials
	KF2 products	Tools and jigs for production of plastics, etc.
	Copper-tungsten alloys	Electric discharge machining electrodes
	Electroplated grindstone	Machining grindstone for hard materials
	Self-lubricating composite alloy	Vacuum deposition equipment bearings, special environment bearings
	Drawn steel pipes	Bearing and bicycle part materials

Source: The notice of the Annual General Meeting of Shareholders

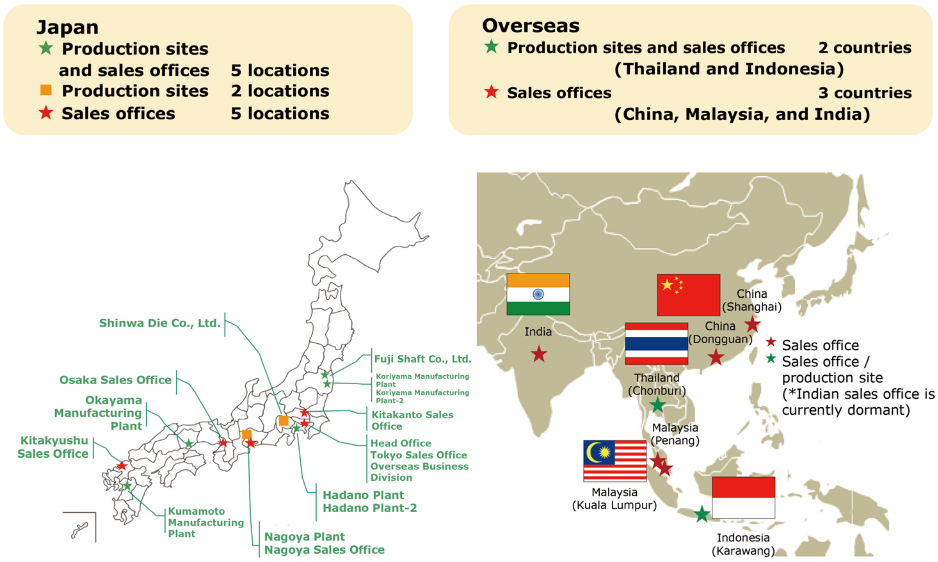
Examples of typical products

Source: The Company's results briefing materials for individual investors

3. Personnel trends and site network

As of the end of FY3/24, the Company had 1,106 employees, including 869 on a non-consolidated basis. While overseas employee numbers have been modestly rising in recent years, there is no significant change. The site network consists of 12 domestic production sites and sales offices, and sites in 5 countries, including production sites and sales offices in Thailand and Indonesia (Indian operations are currently dormant).

Offices (As of March 31, 2024)



Source: The Company's results briefing materials

Results trends

In FY3/24, sales down 2.9% on delayed recovery in automotive part-related molds amid inventory adjustments by part manufacturers and impact of stagnation in the Chinese economy; operating profit decreased 29.7% through higher one-off expenses

1. FY3/24 consolidated results overview

In FY3/24 consolidated results, net sales were ¥16,678mn, a decrease of 2.9% YoY, operating profit decreased 29.7% to ¥809mn, ordinary profit declined 28.0% to ¥882mn and profit attributable to owners of parent was down 45.1% to ¥709mn. Sales decreased due to stagnation in demand in China, delayed recovery in automotive part-related molds amid inventory adjustments by automotive part manufacturers, and weaker demand for rechargeable battery molds and drawn steel pipes, despite expanded demand for molds for motor cores and semiconductor production equipment. There was a double-digit decrease in profits despite improved productivity, business reform results, and price revision effect, because of pressure due to lower sales and a one-off increase in costs one-time expenses to expand the Kumamoto Manufacturing Plant, in spite of raised productivity, the results of operational reform and the effects of price revisions. Profit attributable to owners of parent dropped sharply due in part to a rebound decrease arising from having recorded gain on sale of non-current assets of ¥632mn in FY3/23.

FY3/24 results

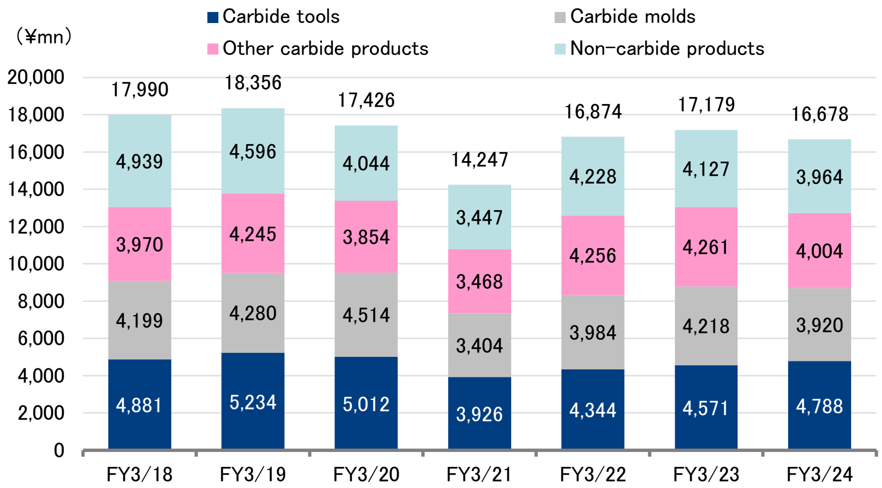
(¥mn)

	FY3/23			FY3/24		
	Result	Sales ratio	YoY	Result	Sales ratio	YoY
Net sales	17,179	100.0%	1.8%	16,678	100.0%	-2.9%
Cost of sales	12,717	74.0%	1.5%	12,440	74.6%	-2.2%
SG&A expenses	3,310	19.3%	2.6%	3,429	20.6%	3.6%
Operating profit	1,150	6.7%	3.3%	809	4.9%	-29.7%
Ordinary profit	1,225	7.1%	1.9%	882	5.3%	-28.0%
Profit attributable to owners of parent	1,292	7.5%	63.5%	709	4.3%	-45.1%

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

Looking at trends in net sales by product category, in carbide tools, grooving rolls for overseas customers and some drawing tools for steel pipes sold strongly as net sales increased 4.8% to ¥4,788mn. In carbide molds, motor core molds sold briskly, but rechargeable battery mold sales dropped substantially due to a customer's change of production site, and automotive-related mold sales were sluggish due to prolonged inventory adjustments at automotive part manufacturers as net sales decreased 7.1% to ¥3,920mn. In other carbide products, material sales for China were sluggish due to the impact of uncertainty in the Chinese market, though demand for semiconductor production equipment was solid, and net sales decreased 6.0% to ¥4,004mn. In non-carbide products, sales of drawn steel pipes were sluggish, though some tools and molds for steel automotive parts were firm, and net sales decreased 3.9% to ¥3,964mn.

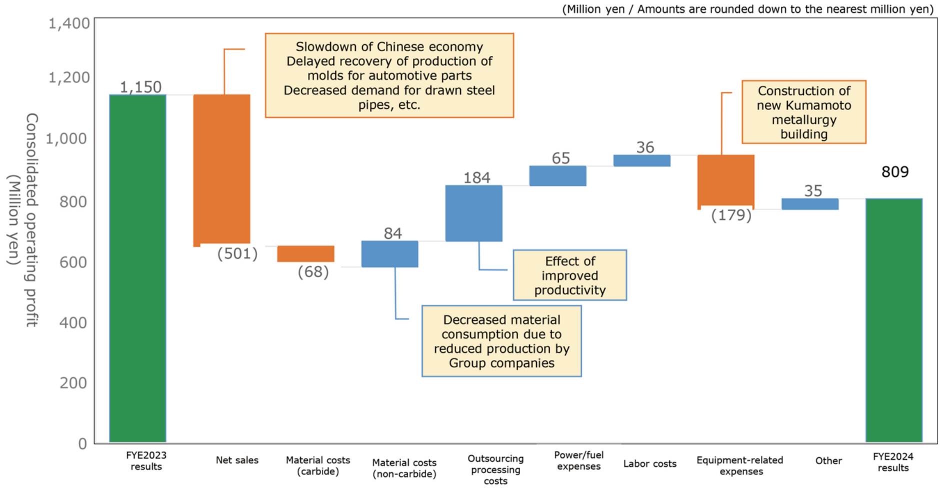
Net sales trends by product category



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

Operating income was affected by a ¥501mn decrease in sales, a ¥68mn decrease due to the high cost of carbide materials, and a one-time cost of ¥179mn associated with the construction of a new metallurgy building in Kumamoto, which was not offset by the ¥184mn in productivity improvements resulting from reduced outsourcing expenses, etc., resulting in a significant decrease in profit. The Company fell ¥361mn short of its initial plan of ¥1,170mn. This was due to the significant impact of ¥1,168mn in reduced sales, which was not covered by other factors.

Factors of increase/decrease in consolidated operating profit (YoY)

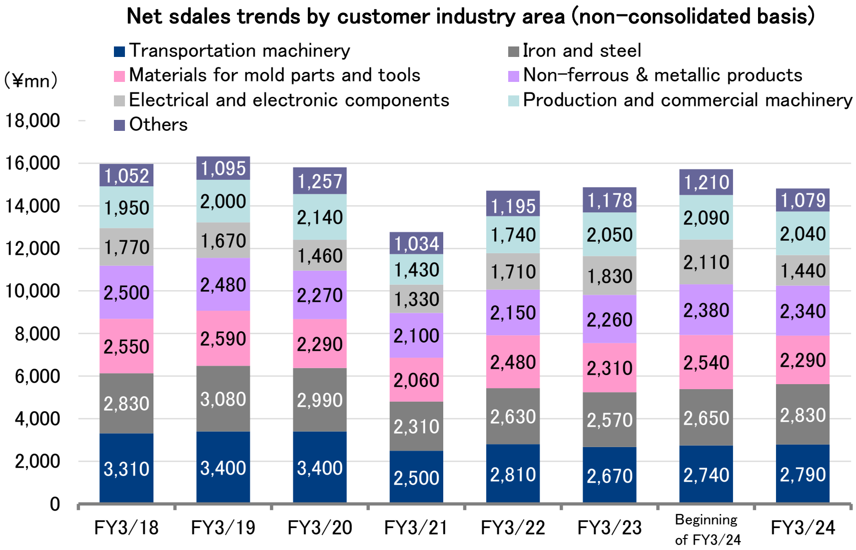


Source: The Company's results briefing materials

Looking at long-term trends perspective, factors behind the decrease included ¥132mn in one-off expenses and net sales shortfall on the unexpected decrease in sales of battery molds, but the gross profit margin only decreased 0.6ppt YoY to 25.4%, which was not a significant decline. If the Company did not have the one-off expenses or unexpected decrease in net sales, it could have secured profits on par with the previous fiscal year.

2. Conditions by customer industry category

In customer industry category on a non-consolidated basis trends in FY3/24 there was an impact from the steep decline in electrical and electronic components sales. Electrical and electronic components net sales were ¥1,440mn, ¥670mn below the initial plan and down 23.1% YoY, which made up just over half of the ¥1,122mn shortfall in consolidated net sales, which had an impact. The significant factor was a major user of the Company's EV cylindrical lithium ion battery molds relocated production to the U.S. due to the enactment of the U.S. Inflation Reduction Act (IRA), which requires new EV to procure at least 50% of parts from North America to be eligible to receive tax breaks. In other areas, results were mixed versus plan targets. For transportation machinery, motor core molds and related mold materials, the largest demand source, were strong, with net sales of ¥2,790mn, a 4.5% increase and ¥50mn more than the target. Iron and steel benefited from special demand for rolls overseas markets and net sales were ¥2,830mn, ¥180mn more than the plan and an increase of 10.1%). In non-ferrous and metallic products, grooving rolls for overseas sold briskly, but it still did not reach the plan, with sales of ¥2,340mn, which was an increase of 3.5%, but ¥40mn short of the plan. Production and commercial machinery sales were ¥2,040mn, ¥50mn below the plan and a decrease of 0.5%, due to stagnant capital investments, despite strong sales of optical elements for semiconductor electron beam mask writers, mirrorless camera aspherical glass lens, and vehicle applications. Materials for mold parts and tools had net sales of ¥2,290mn, which exceeded the plan by ¥250mn, though a decreased of 0.7%, due to strong sales of mold materials for motor cores that exceeded the plan, but other areas stalled.



Source: Prepared by FISCO from the Company's results briefing materials

3. Financial condition and management indicators

The Company has continued profitable operations since its founding and maintains a high equity ratio. It also possesses robust surplus funds and has almost no loans. It sustains a strong financial position.

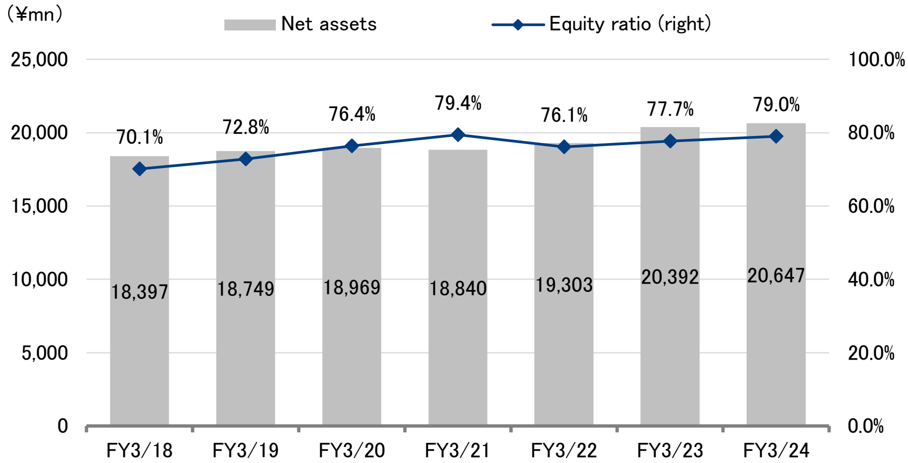
Consolidated balance sheet and key management indicators

(¥mn)

	End-FY3/22	End-FY3/23	End-FY3/24	Change
Current assets	15,331	15,724	15,024	-700
Non-current assets	10,048	10,528	11,114	586
Total assets	25,380	26,253	26,138	-115
Current liabilities	4,383	4,197	3,871	-326
Non-current liabilities	1,692	1,662	1,619	-43
Total liabilities	6,076	5,860	5,491	-369
Net assets	19,303	20,392	20,647	255
(Safety)				
Current ratio	349.8%	374.6%	388.1%	
Equity ratio	76.1%	77.7%	79.0%	

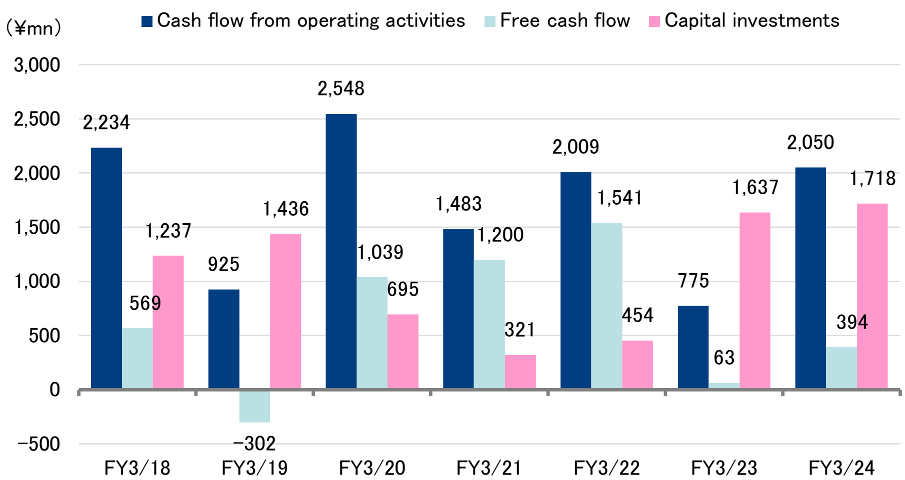
Source: Prepared by FISCO from the Company's financial results

Trends in net assets and equity ratio



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

Operating cash flow, free cash flow and capital investments



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

Outlook

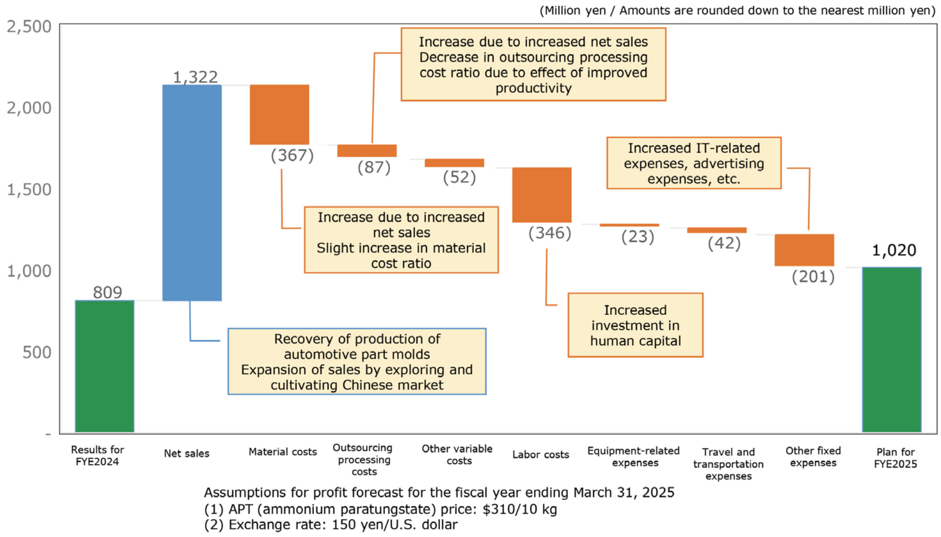
Targeting YoY gains of 7.9% in sales and 26.1% in operating profit in FY3/25, expects double-digit profit increase on temporary cost decline, sales expansion and sales price revisions, and improved production efficiency

● Outlook for FY3/25

For FY3/25 consolidated results, the Company forecasts net sales of ¥18,000mn, a YoY increase of 7.9%, operating profit of ¥1,020mn, an increase of 26.1%, ordinary profit of ¥1,150mn, an increase of 30.4%, and profit attributable to owners of parent of ¥830mn, an increase of 17.0%. The Company forecasts lingering impact of high prices for parts and materials and continuation of the lull in battery-related business in 1H before a full-fledged recovery on a rebound in automotive part-related molds and development of the Chinese market in 2H. As a result, for FY3/25 1H, the Company forecasts net sales of ¥8,800mn, a 7.2% increase YoY, and operating profit of ¥470mn, an increase of 6.6%, but a full-scale recovery in 2H, with the FY3/25 2H forecast for net sales of ¥9,200mn, an increase of 8.6%, and operating profit of ¥550mn, an increase of 49.5%.

The increase and decrease factors behind the forecast increase of ¥211mn in operating income is the significant effect of ¥1,322mn in increased sales and the reduction of one-off expenses recorded in the previous fiscal year. The Company expects to secure a double-digit increase to offset various cost pressures.

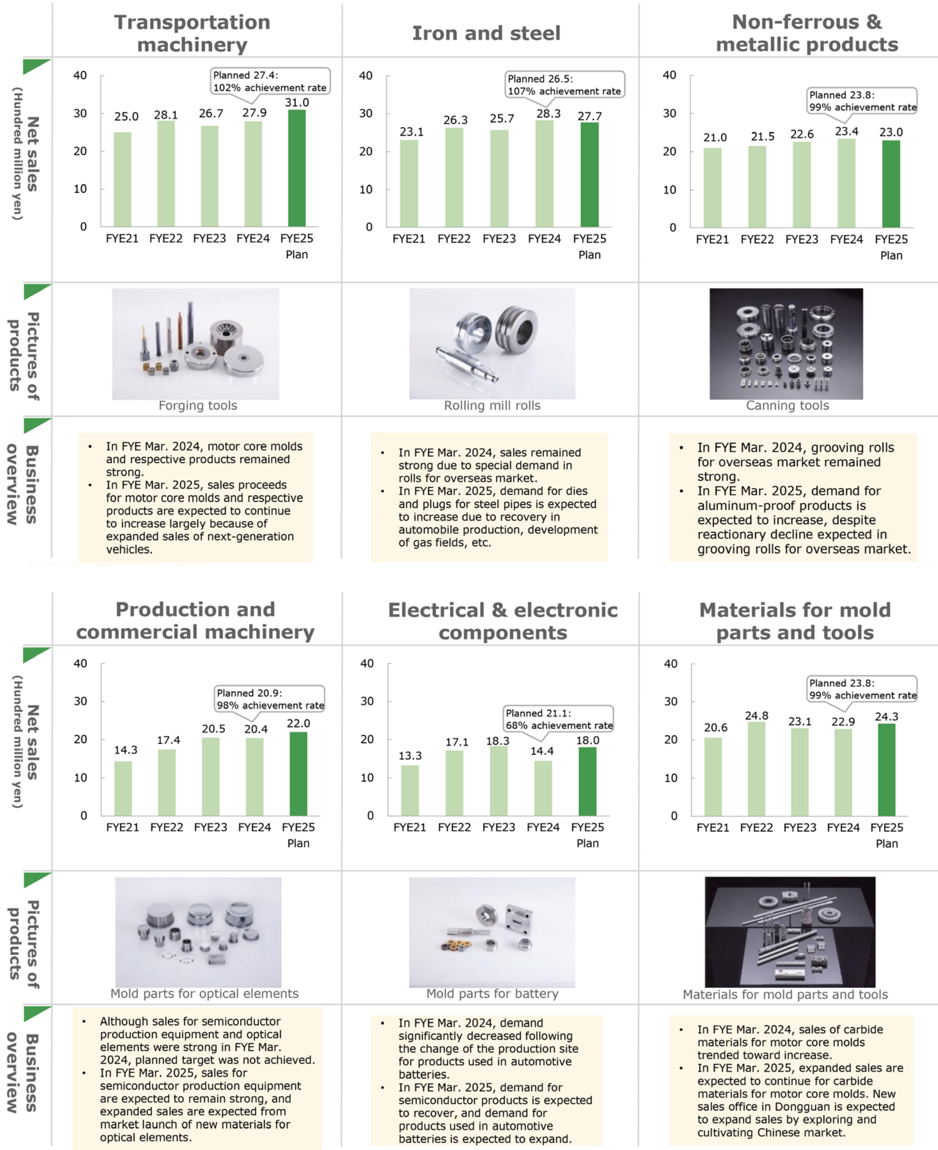
Projected change in consolidated operating profit (YoY)



Source: The Company's results briefing materials

The FY3/25 forecasts by major industry categories on a non-consolidated basis is for net sales to increase 11.1% YoY to ¥3,100mn (up 11.1% YoY) in transportation machinery, its greatest source of demand, on a strong performance by EV-related motor core products and materials. In iron and steel, the Company projects a 2.1% decrease to ¥2,770mn as recovery in automobile production and advances by dies for steel pipes (plugs) related to gas field development largely offsets the impact the end of special demand for rolls in overseas markets. In non-ferrous & metallic products, the outlook is for net sales to decrease, by 1.7%, to ¥2,300mn, due to rebound decline in grooving rolls for overseas. In production and commercial machinery, the forecast is for an increase of 7.8% to ¥2,200mn, as semiconductor production equipment continued to expand, and molds for optical elements were applied in production for molding formation of interchangeable lenses used in mirrorless and other interchangeable lens SLR cameras, rather than for molding infrared lenses (which transmit infrared rays and identify objects by heat source) as originally intended. In electrical and electronic components, which dropped steeply in FY3/24, is forecast to increase 25% to ¥1,800mn on expectations that the slump in EV cylindrical lithium ion batteries has run its course and a significant recovery in demand is due for rectangular lithium ion batteries and other areas and semiconductor products. Materials for mold parts and tools is forecast to net sales by 6.1% to ¥2,430mn, with motor core mold materials contributing to the expansion.

Outlook for FY3/25 status (non-consolidated basis, net sales) by major industry



Source: The Company's results briefing materials

Medium- to long-term growth strategy

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

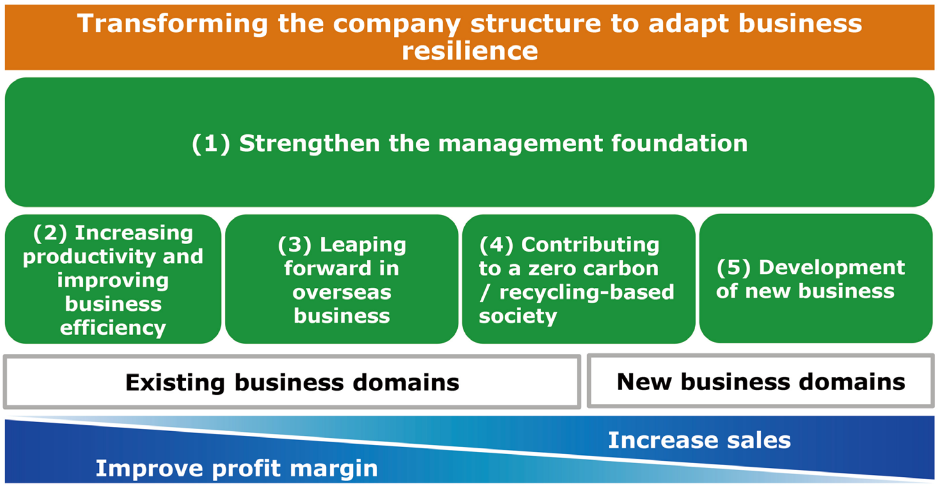
1. Transforming to the company structure to adapt business resilience

The Company formulated Medium-Term Management Plan 2026 under its new president with a central concept of "transforming the company structure to adapt business resilience," taking into account that it did not reach targets in the final fiscal year of its previous medium-term management plan due to higher resource prices, Chinese market stagnation, and delayed recovery in the automotive parts industry. Specifically, it stipulated priority measures of strengthening the management foundation, increasing productivity and improving business efficiency, leaping forward in overseas business that did not deliver anticipated results during the previous medium-term management plan, and solidifying new business. It also wants to be a company that contributes to a zero-carbon and recycling-based society.

Under Medium-Term Management Plan 2026, specific consolidated numerical targets for the final fiscal year of the plan in FY3/27 are net sales of ¥20.0bn, operating profit of ¥2.0bn, ordinary profit margin of 10.5% and ROE of 7.0%. While the second phase of the previous medium-term management plan had targeted ¥20.0bn in net sales, ¥2.5bn in operating profit, and 12.5% operating profit margin in FY3/27, the Company reduced the operating profit target by ¥0.5bn, taking into account the details of FY3/24 performance. Just as the Company lowered its profit assumption in the second phase of its previous medium-term management plan, it has shown an intention to place even greater emphasis on achieving profits than before, even more so than on expanding sales.

The new medium-term management plan shows a cautious approach by the new president and the numerical targets are seen as minimums, taking into account that the Company failed to achieve goals in the final fiscal year of its previous medium-term management plan amid worsening earnings in FY3/24. Actually, regarding profits, considering that the factors in not reaching targets were one-time expenses for the Kumamoto Manufacturing Plant and the unexpected situation with molds for lithium ion batteries, and as the Company is essentially a business with high profit margins, its corporate structure is such that if net sales get back on track, it is possible that profit ratios will improve. Assuming an absence of irregular decreases in net sales in FY3/25, gross profit margin can be expected to return to the levels of 3/23, and profit expected to increase if net sales can meet their target. A key point is whether the Company can achieve ¥1,500mn in operating profit in FY3/26 and thereby set a new all-time high that exceeds the ¥1,465mn from FY3/18. This level is sufficiently within reach considering such factors as the effect of new products.

Concept for Medium-Term Management Plan 2026



Source: The Company's results briefing materials

Medium-Term Management Plan 2026 consolidated numerical targets

Consolidated numerical targets in the fiscal year ending March 31, 2027

- Consolidated net sales **20.0 billion yen**
- Operating profit **2.0 billion yen**
- Ordinary profit margin **10.5%** (Ordinary profit: 2.1 billion yen)
- ROE **7.0%**

	FYE2024 results	FYE2025 results forecast	FYE2026 target	FYE2027 target
Net sales	16.67 billion yen	18.0 billion yen	19.0 billion yen	20.0 billion yen
Operating profit	0.80 billion yen	1.02 billion yen	1.50 billion yen	2.00 billion yen
Ordinary profit	0.88 billion yen	1.15 billion yen	1.60 billion yen	2.10 billion yen
Ordinary profit margin	5.3%	6.4%	8.4%	10.5%
Profit	0.70 billion yen	0.82 billion yen	1.15 billion yen	1.50 billion yen
ROE	3.5%	4.0%	5.5%	7.0%

Source: The Company's results briefing materials

The following section reviews the direction of core themes from the medium-term management plan with emphasis on strategic areas.

2. Contributing to a zero-carbon and recycling-based society

(1) Next-generation automobiles

The Company plans to actively develop and launch products that contribute to formation of a zero-carbon and recycling-based society among its core policies, and it is extremely important to accommodate the auto industry, which is its largest customer. For this, the Company will focus on rechargeable batteries, motor cores and magnets.

In molds for formation of rechargeable battery cases, demand has been recovering after bottoming out with recent support from strong HEV performance. While the Company was already pursuing rectangular battery-related products, it incurred a setback in the cylindrical battery business from the U.S. Inflation Reduction Act. In response, it intends to ramp up rectangular lithium-ion battery-related activity that utilizes precision mold processing technology. The rectangular lithium-ion battery for vehicle use market is expanding with Prime Planet Energy & Solutions, a joint venture established by Toyota Motor Corporation <7203> with a 51% stake and Panasonic Holdings <6752> with a 49% stake as a leader that aims in 2024 to increase output to a pace of roughly 7GWh/year, raising further expectations of expansion going forward.

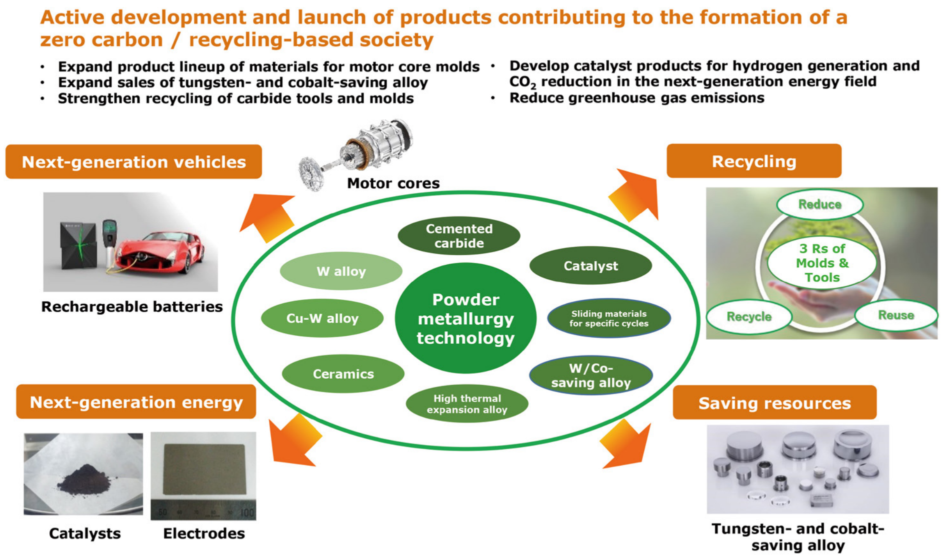
The Company is expanding sales of punching molds for motor cores to Japanese motor core manufacturers. There are many domestic and overseas rivals in this market. While many applications are currently in hybrid vehicles, the Company launched new material-type VG48 aimed at anticipated growth in EV-related demand. EVs need thinner electromagnetic steel sheets to increase the number of layers to meet requirements for higher output from motors, and currently, the sheets being used are 0.2mm to 0.3mm. The Company is developing new materials in anticipation of market trends. At motor core manufacturers, a shift is occurring in the layering method from fixed dowel lamination to an adhesion format or exterior dowel format. It is also necessary to utilize a larger diameter and make other revisions to handle electromagnetic steel sheets with a high level of hardness, which means that mold materials must be more wear resistant as impact makes it easy to chip because of substantial brittleness, and requires high pitch resistance. Adhesion resistance is needed, too, as it can easily stick to the mold. VG48, which the Company added to its product catalog in August 2022, is a new material that extends product lifespan through better fracture toughness and wear resistance than existing products. It also offers excellent electric discharge machinability that retains material strength even after electric discharge machining in molds for complicated products. Demand for this material is likely to expand considerably after it obtains manufacturer certifications. The Company seeks to increase customer options and boost its market share by reinforcing the line-up of carbide materials for motor core molds. Production expertise for electromagnetic steel sheets has risen recently at non-Japanese iron and steel manufacturers, too. For example, Toyota has started using electromagnetic steel sheets from Baosteel Group Corporation and others. The Company intends to strengthen sales of mold materials to Chinese manufacturers as well.

Regarding magnets for next-generation automobiles, the Company expects ongoing expansion of demand for neodymium magnets because of adoption of permanent magnet synchronous motors that use neodymium magnets, mainly for automobiles amid the full-fledged expansion of the EV market. The Company supplies powder compacting molds and molds and mold materials to overseas customers. There has been interest in integrated molding technology for motor cores and neodymium magnets recently, and adoption of this format is increasing. By eliminating space between the motor core and neodymium, it is possible to minimize leakage of magnetic field lines, providing various benefits, including significant reduction of vibration and noise. This is why demand is forecast to expand together with the EV market. The Company expects overall growth of at least 20% annually as the spread of EVs accelerates and sales are expected to accelerate, too.

Regarding automated driving in next-generation automobiles, the Company aims to bolster sales in the Chinese market of hard alloy with high thermal expansion and low specific gravity (TR alloy). This product is expected to be applied as a mold base material for chalcogenide glass*, a material for far infrared ray lenses, as a moldable base material was sought that had a higher thermal expansion coefficient than conventional glass and with molding materials sensitive to temperature changes . Specifically, TR alloy has 8MK-1, which is not attainable with conventional binderless cemented carbide, and approximates the thermal expansion coefficient of glass, which inhibits glass from sticking upon removal from the mold after formation. The Company expects growing adoption in LiDAR for advanced driver-assistance systems (ADAS) likely to be used extensively in automated driving. BYD Auto Co., Ltd., the global leader in EV/PHEV sales volume, installs six LiDAR in its luxury EV HanEVwith three in the front and three in the rear. In China, level-4 fully automated driving taxis started service in 2023, and it is preparing to start operations in ordinary vehicles, too. Other countries are conducting real-world tests as well, and this activity is generating expectations for full-fledged expansion of production. TR alloy is likely to be utilized in land-based detection in addition to its use in vehicles, and the Company has solidified large-diameter product support because of its use in items such as molds for surveillance camera infrared lenses. Sales began in 2024 and robust growth in overall demand is expected.

* Glass that allows far infrared light to pass through so an object's heat source can be identified. Instead of oxygen, it includes sulfur, selenium, tellurium, and other chalcogens.

Contributing to a zero-carbon / recycling-based society



Source: The Company's results briefing materials

(2) Resource savings

At a time when resource savings and reduction of the environmental load are attracting attention, the Company developed ST60, a tungsten- and cobalt-saving alloy that substantially reduces use of the rare metals tungsten and cobalt while being lighter than steel and hard and tough like cemented carbide, and listed it in its product catalog in November 2022. Specifically, ST60 has expansion potential in the rotary tools field (rotary crushers, hammers) where cemented carbide has been difficult to apply because of its higher specific gravity. As it is forecast to reduce power use by lightening the motor load and raise productivity by increasing revolutions, and its use in kneading machine screws and other applications that require high hardness and durability while being light were commended, the Company conducted tests with customers and started sales in FY3/24. This alloy won the Encouragement Award at the 2023 'CHO' MONODZUKURI Innovative Parts and Components Awards sponsored by the Monozukuri Nihon Conference and the Nikkan Kogyo Shimbun. As a future initiative, the Company is considering an increase of the line-up to address market needs. ST60 also has the potential to ensure the Company's business continuity due to the supply risk for tungsten, cobalt, and other rare metals because of U.S.-China friction and problems with Russia.

(3) Next-generation energy business

In the next-generation energy field, the Company develops catalysts for water electrolysis. These catalysts use metal that is inexpensive and readily available, in contrast to conventional precision-metal catalysts, and they are expected to be used in hydrogen generation equipment. In parallel, the Company is also developing CO_2 reduction catalysts and rechargeable battery catalysts. Various companies and research institutes are also engaged in development efforts in this field. The Company's powder metallurgy and high-pressure synthesis technologies are likely to be key factors.

3. Development of new business

With a goal of becoming a 100-year corporation, the Company launched a dedicated organization for new businesses in July 2024 and is promoting commercialization of new business seeds. While the Company previously considered new business opportunities through project teams with the aim of fostering a longer-term growth foundation, the new organization inherits the existing activities and will build a system to continuously seek new business seeds and assess commercialization potential. The Company explains that it pursues realization of new businesses that can provide new business pillars and a shorter business creation cycle, and also actively reviews acquisitions and business alliances toward the early creation of new businesses.

4. Leaping forward in overseas business

The Company also cited strengthening of overseas business as a priority measure in its previous medium-term management plan. However, its efforts did not proceed as planned, and the overseas sales ratio of 18.7% in FY3/24 missed the plan's goal of over 20%. In formulation of the new medium-term management plan, the Company positions overseas business as a growth driver and sets a goal of at least 25% as the overseas sales ratio in FY3/27. It aims to expand subsidiary and export sales to increase overseas sales, mainly in Asia. The Company formed the Overseas Business Division in July 2023 to support the responsible director and strengthen overseas business, and in February 2024 opened a sales office in Dongguan, China. The Company intends to relaunch its Indian office, too, and is considering establishment of a site for battery and motor core mold initiatives in the U.S.

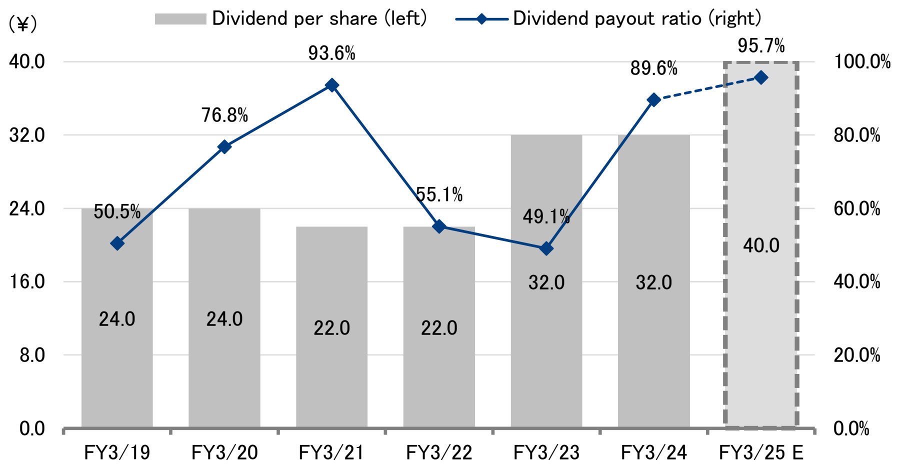
Policy on shareholder returns

In FY3/24, maintained a ¥32 annual dividend, including a 75th-year commemorative dividend of ¥10, changed the dividend standard to DOE under the new medium-term management plan, and forecasts a ¥40.0 ordinary dividend in FY3/25

The Company has conducted appropriate profit allocation targeting a consolidated dividend payout ratio of 50% as its shareholder return policy. In FY3/23, it actually paid an annual dividend of ¥32, adding ¥10 based on the 50% dividend payout ratio target because EPS reached ¥65.19 due to booking extraordinary income from the sale of the former Osaka Plant, an idle asset, compared to the initially forecast ¥41.41. In FY3/24, it initially forecast a dividend of ¥22 per share, unchanged from FY3/23, as this extraordinary income would not arise in FY3/24, the initial forecast was for a decrease of ¥10 and an annual dividend of ¥22, based on EPS of ¥44.87. When announcing results for 3Q FY3/24, though the Company lowered the EPS forecast to ¥33.73, it retained the initially forecast ¥22 dividend from the point of view of having a stable dividend. Ultimately, even though EPS was ¥35.72 in FY3/24, the Company paid a ¥10 commemorative dividend to mark the 75th anniversary and retained the ordinary dividend at ¥22 to maintain a stable dividend, resulting in an annual dividend of ¥32, the same as FY3/23.

In the new medium-term management plan, the Company changes the dividend standard for its dividend policy from a 50% dividend payout ratio to DOE (dividend on equity), and adopts a 4.0% DOE goal. Therefore, it intends to pay a ¥40 ordinary dividend in FY3/25, an increase of ¥8 per share, and when taking into consideration that PRB is less than 1x, has significantly strengthened shareholder returns.

Dividend per share and dividend payout ratio



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

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