COMPANY RESEARCH AND ANALYSIS REPORT

Fuji Die Co., Ltd.

6167

Tokyo Stock Exchange Prime Market

19-Aug.-2025

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https://www.fujidie.co.jp/en/ir

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Summary

Providing inspiring mooments through people, materials, and technologies

Fuji Die Co., Ltd. <6167> (hereafter, also "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 81.0% at the end of FY3/25.

In FY3/25 consolidated results, net sales were ¥16,595mn, a decrease of 0.5% year on year (YoY), operating profit decreased 39.7% to ¥488mn, ordinary profit declined 31.6% to ¥603mn and profit attributable to owners of parent was down 39.9% to ¥426mn, marking the second consecutive year of lower earnings. Although sales increased for areas including can manufacturing tools, molds for automotive batteries, semiconductor production equipment, and carbide materials for China, these gains were offset by sluggish trends in other areas—delays in the recovery of automobile production, inventory adjustments for grooving rolls for overseas markets, and weak performance in kneading tools for semiconductors. As a result, net sales were ¥405mn below the revised forecast issued in November 2024. On the profit front, while productivity improvements contributed to some extent, stagnant sales combined with surging raw material costs—particularly tungsten—and rising costs such as investments in IT and human resources put pressure on earnings. As a result, operating profit fell short of the forecast by ¥191mn.

For FY3/26 consolidated results, the Company forecasts net sales of ¥17,670mn (up 6.5% YoY), operating profit of ¥600mn (up 22.9%), ordinary profit of ¥700mn (up 16.1%), and profit attributable to owners of parent of ¥460mn (up 8.0%). On the sales front, the Company forecasts higher sales and profits, driven by increased demand following a recovery in automotive part-related molds and deeper penetration into the Chinese market, leveraging its new sales office in Dongguan.

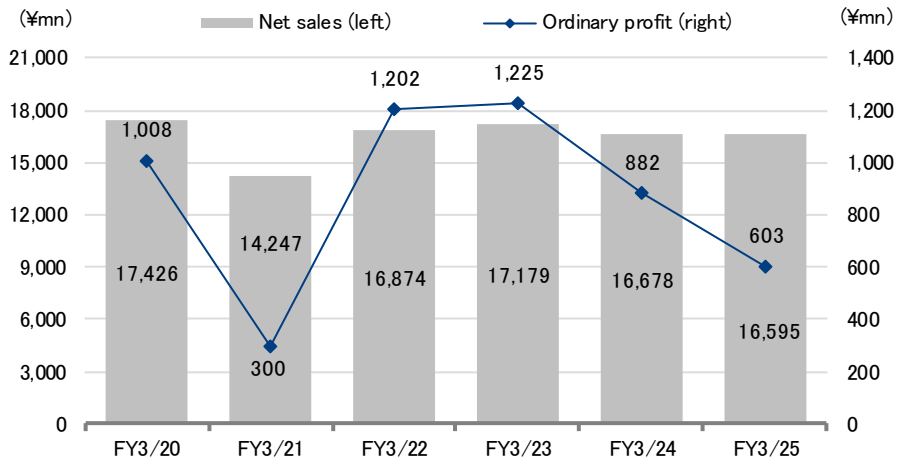
In its medium-term management plan, the Company has adopted the policy of "transforming the company structure to adapt business resilience," and rather than focusing on expanding net sales, it aims to shift toward a profit-oriented management approach that emphasizes profitability.

Key Points

- In FY3/25, net sales declined 0.5% due to delayed recovery in automobile production and reduced demand for grooving rolls for overseas markets and kneading tools for semiconductors. Operating profit decreased 39.7% as raw material prices surged and IT and human capital investments weighed on earnings despite flat sales
- For FY3/26, forecasts a 6.5% increase in net sales and a 22.9% increase in operating profit, driven by demand growth from a recovery in automotive part-related molds and deeper cultivation of the Chinese market
- Under the Medium-Term Management Plan 2026, the Company has adopted a policy of transforming the company structure to adapt business resilience, shifting toward a management approach that emphasizes profitability

Summary

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, shearing tools, molds, press molds, and industrial nozzles. Users (on a standalone basis) include the transportation machinery, iron and steel, non-ferrous and metallic products, electrical and electronic components, and material supply for mold parts and tools. These tools are used across a broad range of industries, but overall, approximately 60% of demand is believed to come from sectors related to the auto industry. 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 net sales reliance on even the largest customers, is strong in low-volume, high-mix production to respond to various orders, 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 FY3/25 was 25% carbide tools, 26% carbide molds, 26% other carbide products, and 23% non-carbide products.

Fuji Die Co., Ltd.

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Company profile

Main products and specific application examples

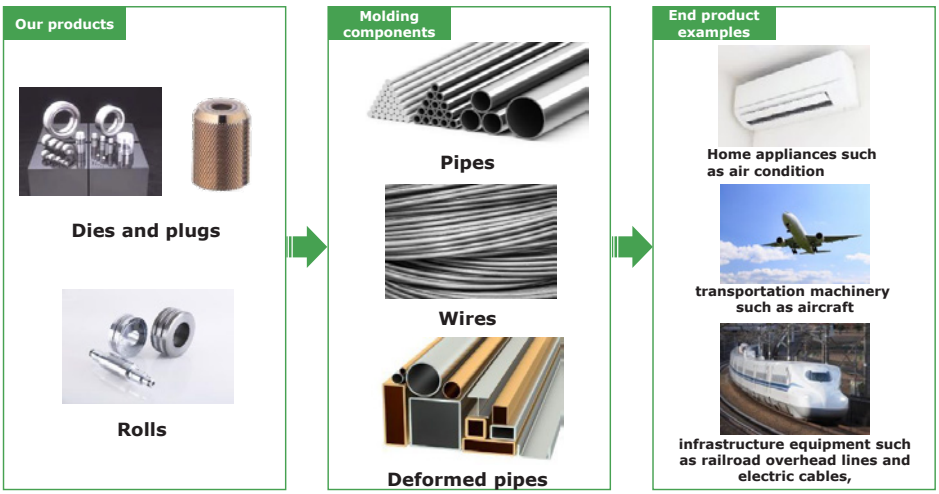
Product categories	Main products	Specific application examples
Carbide tools	Dies, plugs	Wire and pipe production tools
	Grooving plugs	Production tools for heat exchanged pipes
	Hot rolling mills	Production tools for iron and steel materials
	Cold-forming rolls	Production tools for building materials 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: Notice of Convocation and Materials for the Annual General Meeting of Shareholders

Examples of typical products (tools for drawing, extruding, and rolling processes)

Tools for drawing, extruding, and rolling processes

Used in transportation machinery, construction materials, infrastructure-related facilities, etc.



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

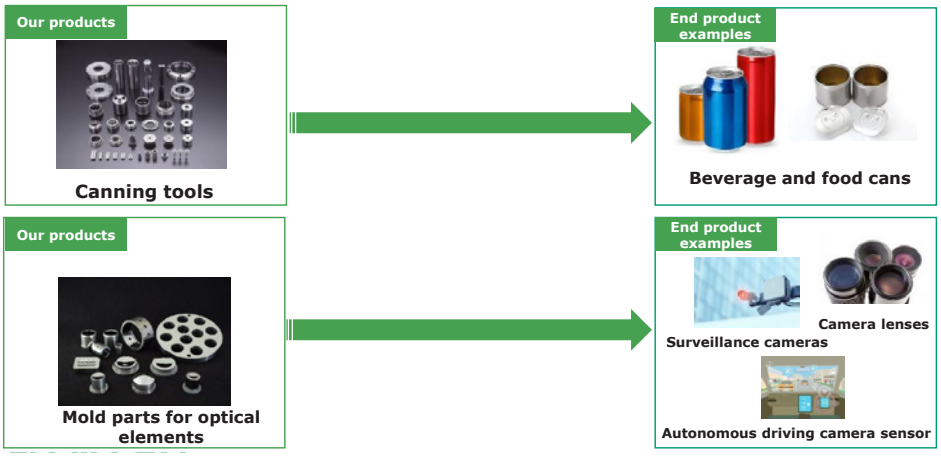
Examples of typical products (tools and molds for manufacturing beverage cans and food cans, and molds for manufacturing optical elements)

Tools and dies for manufacturing beverage and food cans

Dies for making beverage cans for alcoholic beverages, soft drinks, etc.

Molds for manufacturing optical elements

Molds to produce lenses for single-lens reflex, telecommunications, and surveillance cameras



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

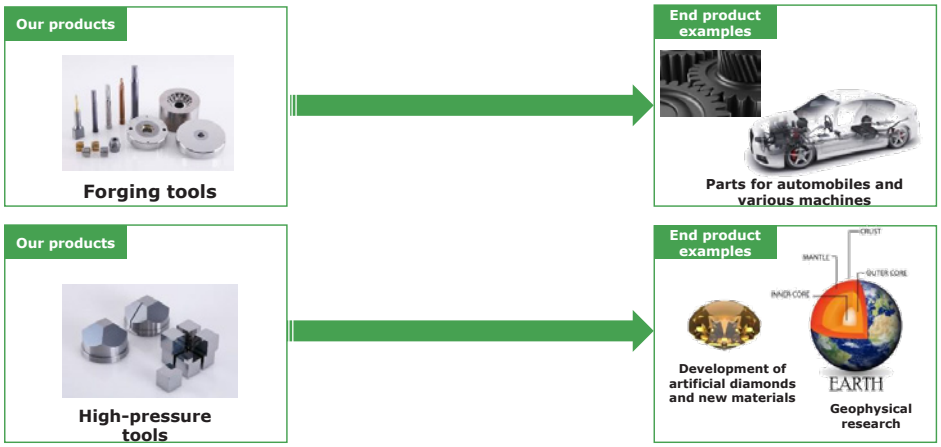
Examples of typical products (forging tools and molds, and high-pressure tools)

Forging tools and molds

Molds for making parts for motorcycles, automobiles, various manufacturing machines, etc.

High-pressure tools

Tools used to manufacture artificial diamonds, develop new materials, and study the Earth's internal environment

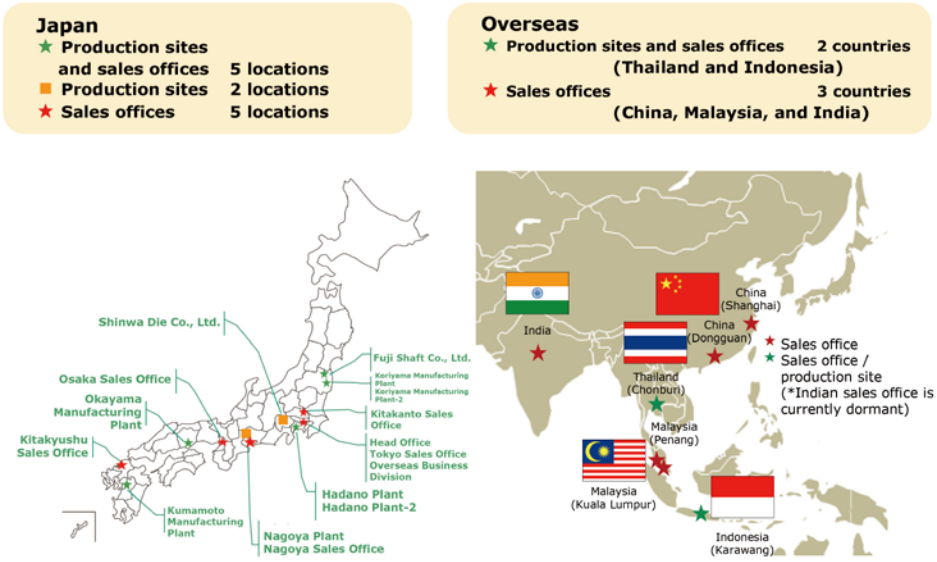


Source: The Company's results briefing materials for individual investors

3. Personnel trends and site network

As of the end of FY3/25, the Company had 1,090 employees, including 855 on a non-consolidated basis. The number of employees has gradually declined for five consecutive fiscal years since peaking in FY3/20 at 1,155 on a consolidated basis and 915 on a non-consolidated basis, but there have been no significant changes. 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 (operations in India are scheduled to resume within the fiscal year).

Offices (as of March 31, 2025)



Source: The Company's results briefing materials

Results trends

In FY3/25, net sales declined 0.5% due to delays in the recovery of automobile production and reduced demand for grooving rolls for overseas markets and kneading tools, while operating profit decreased 39.7% as higher raw material costs and increased investment in IT and human resources put pressure on earnings

1. Overview of FY3/25 consolidated results

In FY3/25 consolidated results, net sales were ¥16,595mn, down 0.5% YoY, operating profit decreased 39.7% to ¥488mn, ordinary profit declined 31.6% to ¥603mn and profit attributable to owners of parent was down 39.9% to ¥426mn, marking a second consecutive year of earnings decline. On the sales side, although there was growth in sales of can manufacturing tools, molds for automotive batteries, semiconductor production equipment, and carbide materials for China, the recovery in automobile production was slower than expected, and inventory adjustments for grooving rolls for overseas markets took longer than expected, along with sluggish demand for kneading tools for semiconductors, led to results that fell short of the revised forecast issued in November 2024 by ¥405mn. On the profit side, although measures such as productivity improvements had a certain effect, stagnant sales combined with soaring raw material costs—particularly for tungsten—and increased costs from investments in IT and human resources put pressure on earnings, resulting in operating profit falling short of the forecast by ¥191mn.

FY3/25 results

(¥mn)

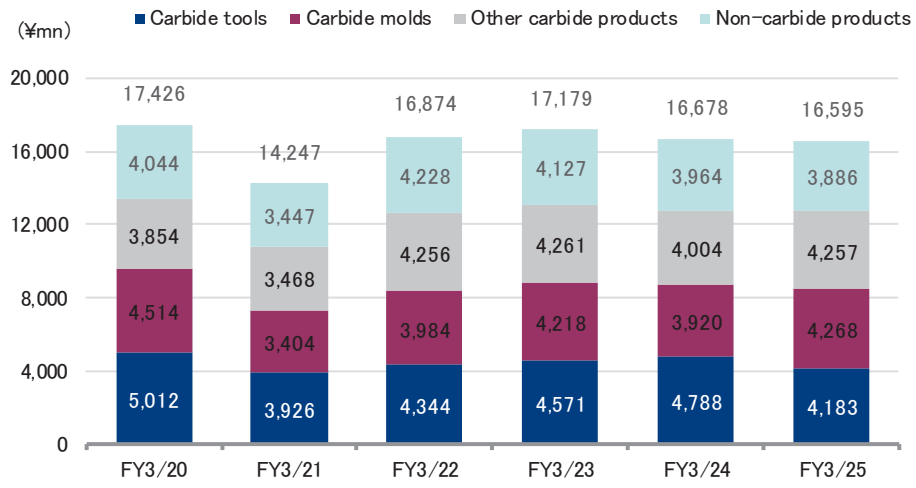
	FY3/24			FY3/25		
	Result	Sales ratio	YoY	Result	Sales ratio	YoY
Net sales	16,678	100.0%	-2.9%	16,595	100.0%	-0.5%
Cost of sales	12,440	74.6%	-2.2%	12,463	75.1%	0.2%
SG&A expenses	3,429	20.6%	3.6%	3,643	22.0%	6.2%
Operating profit	809	4.9%	-29.7%	488	2.9%	-39.7%
Ordinary profit	882	5.3%	-28.0%	603	5.1%	-31.6%
Profit attributable to owners of parent	709	4.3%	-45.1%	426	2.6%	-39.9%

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 declined significantly due to inventory adjustments by customers, and net sales were sluggish, down 12.6% YoY to ¥4,183mn. In carbide molds, the impact of a customer's production site change on rechargeable battery molds had run its course, and can manufacturing tools performed strongly, resulting in an 8.9% increase in net sales to ¥4,268mn. In other carbide products, demand for semiconductor manufacturing equipment remained solid and material sales for China were also strong, with net sales rising 6.3% to ¥4,257mn. In non-carbide products, although some tools and steel molds for automotive parts performed well, sales of semiconductor-related tools, including kneading tools, were weak, and net sales declined 2.0% to ¥3,886mn.

Results trends

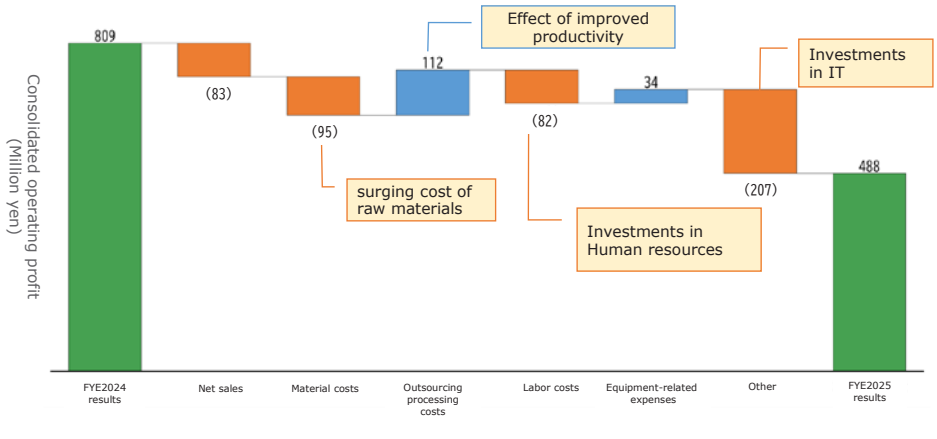
Net sales trends by product category



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

Factors behind the change in operating profit included a ¥83mn negative impact from lower sales, a ¥95mn negative impact from higher carbide material costs, an ¥82mn increase in costs due to expanded investment in human resources, and ¥207mn in IT-related expenses such as the new core system launched in October. These were not fully offset by positive factors such as ¥112mn in productivity improvements from reductions in outsourcing expenses, and other efficiencies, resulting in a decline in profit. Operating profit also fell short of the revised forecast of ¥680mn by ¥191mn. This was mainly due to a ¥405mn shortfall in sales, and although lower sales would typically reduce material costs, soaring prices for items such as ammonium paratungstate (APT) limited the cost reduction to only ¥28mn, which could not be covered by other factors.

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

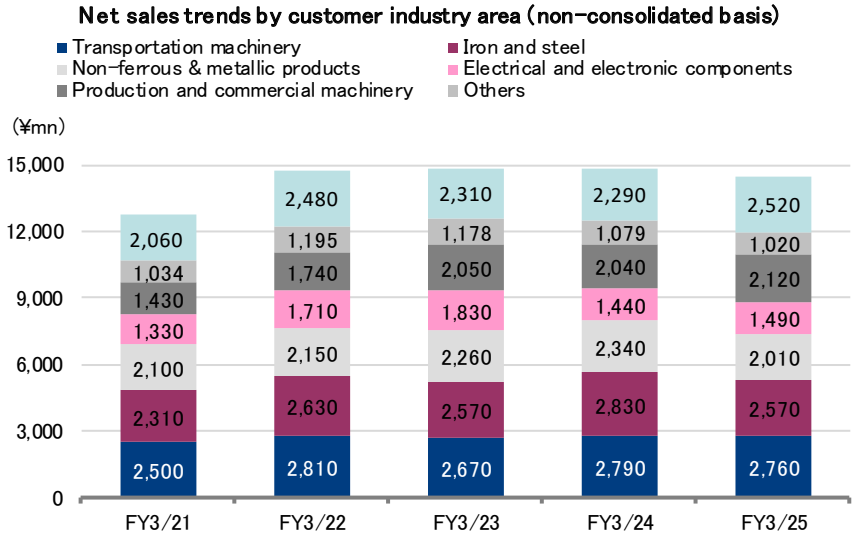


(Million yen / Amounts are rounded down to the nearest million yen)

Source: The Company's results briefing materials

2. Conditions by customer industry category

In customer industry category on a non-consolidated basis trends in FY3/25, transportation machinery, the largest demand source, recorded net sales of ¥2,760mn (¥140mn below the revised forecast issued in November 2024, down 1.1% YoY), affected by production adjustments at automotive parts manufacturers. Iron and steel came to ¥2,570mn (¥110mn below the forecast, down 9.2% YoY), as rolls for overseas markets remained strong, but the recovery in automobile production was delayed. Non-ferrous and metallic products were sluggish due to continued inventory adjustments by users of grooving rolls for overseas markets, with net sales of ¥2,010mn (in line with the forecast, down 14.1% YoY). Production and commercial machinery totaled ¥2,120mn (¥100mn below the forecast, up 3.9% YoY), held back by stagnant capital investment despite solid demand for products including semiconductor equipment, glass lenses, and in-vehicle optical elements. Although kneading tools for semiconductors were weak, electrical and electronic components recovered from the impact of a major customer relocating production to the US in the previous year, and new domestic production of next-generation batteries contributed, resulting in net sales of ¥1,490mn (¥70mn above the forecast, up 3.5% YoY). For materials for mold parts and tools, sales of cemented carbide materials for overseas markets were strong thanks to successful sales activities from the newly opened Dongguan sales office in China, with net sales of ¥2,520mn (¥60mn above the forecast, up 10.0%).



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

The Company's financial base remains extremely solid, backed by continued profitability and a debt-free management approach

3. Financial position and management indicators

The Company has continued profitable operations since its founding and maintains a high equity ratio. Although current business conditions are challenging, it possesses robust surplus funds, has almost no loans, and continues to maintain a strong financial position and healthy cash flow.

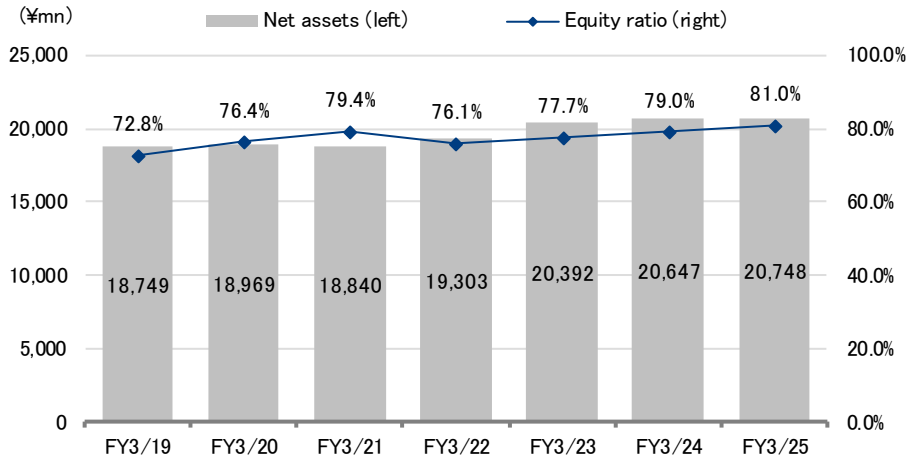
Consolidated balance sheet and key management indicators

(¥mn)

	End-FY3/23	End-FY3/24	End-FY3/25	Change
Current assets	15,724	15,024	14,909	-115
Non-current assets	10,528	11,114	10,694	-420
Total assets	26,253	26,138	25,603	-535
Current liabilities	4,197	3,871	3,395	-476
Non-current liabilities	1,662	1,619	1,460	-159
Total liabilities	5,860	5,491	4,855	-636
Net assets	20,392	20,647	20,748	101
Safety				
Current ratio	374.6%	388.1%	439.1%	
Equity ratio	77.7%	79.0%	81.0%	

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

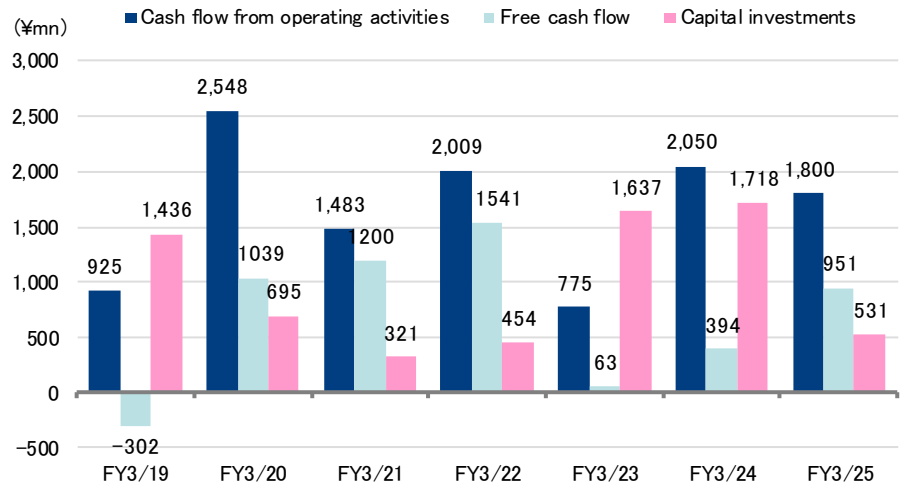
Trends in net assets and equity ratio



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

Results trends

Operating cash flow, free cash flow and capital investments



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

Outlook

For FY3/26, the Company forecasts a 6.5% increase in net sales and a 22.9% increase in operating profit, expecting higher sales and profit driven by the recovery in automotive part-related molds and expanded sales activities from its China base

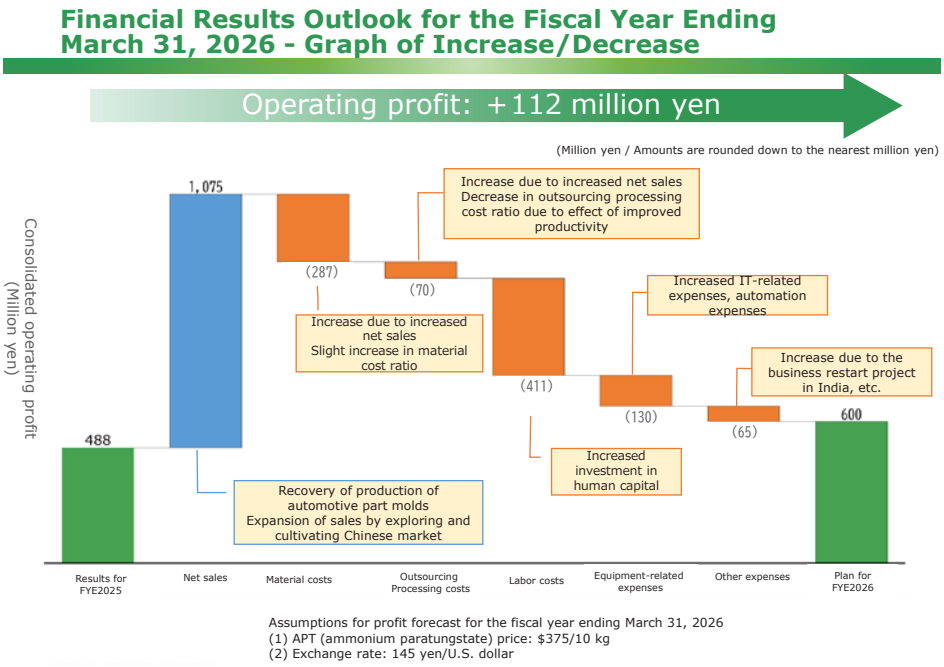
● FY3/26 forecasts

For FY3/26 consolidated results, the Company forecasts net sales of ¥17,670mn, a YoY increase of 6.5%, operating profit of ¥600mn, an increase of 22.9%, ordinary profit of ¥700mn, an increase of 16.1%, and profit attributable to owners of parent of ¥460mn, an increase of 8.0%. Although rising personnel expenses and higher raw material costs are expected to have an impact, the recovery in automotive parts, expansion into next-generation vehicle applications, and development of the Chinese market are projected to contribute to earnings recovery. For 1H FY3/26, the Company forecasts net sales of ¥8,720mn, a 5.3% increase YoY, and operating profit of ¥220mn, a decrease of 24.5%. However, a full-scale recovery is expected in 2H, with net sales forecast at ¥8,950mn, an increase of 7.6%, and operating profit at ¥380mn, an increase of 92.9%.

Outlook

As for the ¥112mn increase in operating profit, positive factors include a ¥1,075mn gain from higher sales. On the other hand, negative factors include a ¥287mn increase in material costs due to higher sales, a ¥70mn increase in outsourcing expenses due to higher sales despite progress in in-house production, a ¥411mn rise in human capital investment, a ¥130mn increase in automation and IT investment, and a ¥65mn increase in costs associated with restarting operations in India. Currently, the price of APT has reached a record high, and if this situation persists, it may have an impact in 2H, posing a risk of delayed recovery in earnings. Further improvements in operational efficiency are likely to be needed.

Projected change in consolidated operating profit (YoY)



Assumptions for profit forecast for the fiscal year ending March 31, 2026
(1) APT (ammonium paratungstate) price: $375/10 kg
(2) Exchange rate: 145 yen/U.S. dollar

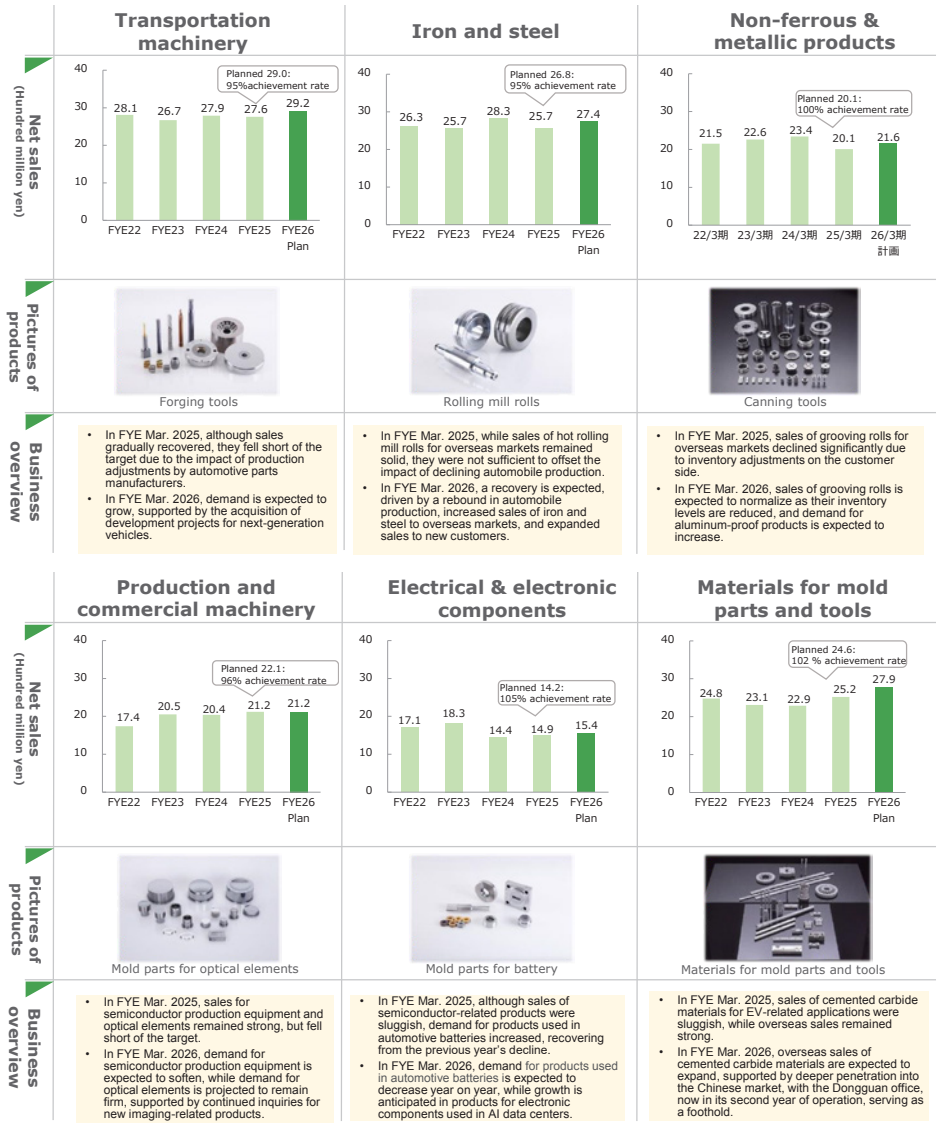
Source: The Company's results briefing materials

The FY3/26 forecasts by major industry categories on a non-consolidated basis are as follows. In transportation machinery, its greatest source of demand, the Company projects net sales of ¥2,920mn (up 5.8% YoY), anticipating increased demand from development projects related to next-generation vehicles. For iron and steel, net sales are forecast at ¥2,740mn (up 6.6%), driven by the recovery in automobile production and expanded sales for overseas steel applications. In non-ferrous and metallic products, net sales are projected to increase 7.5% to ¥2,160mn, as the impact of inventory adjustments for grooving rolls for overseas customers runs its course and sales of aluminum-proof products increase. In production and commercial machinery, although demand for semiconductor production equipment is expected to remain weak, sales of molds for optical elements are projected to remain strong, with net sales forecast at ¥2,120mn (flat YoY). For electrical and electronic components, although demand for automotive battery-related products is expected to decline, the Company anticipates growth in demand for products under development for electronic components used in AI data centers, resulting in a forecast of ¥1,540mn (up 3.4%). For materials for mold parts and tools, net sales are projected to increase 10.7% to ¥2,790mn, driven by an expected expansion in sales of carbide materials for overseas markets through the second-year operations of the Dongguan base in China.

Outlook

Currently, due to issues such as the Trump-era tariffs, high tariffs—particularly on automobiles and steel—and the need to re-evaluate supply chains are becoming more pressing. Since automotive-related sales account for around 60% of the Company's total, there is a risk of sales declines due to demand stagnation caused by external factors beyond the Company's control. As such, securing sales through development of new markets and expansion of high value-added product sales will be key.

Outlook for FY3/26 status (non-consolidated basis, net sales) by major industry



Source: The Company's results briefing materials

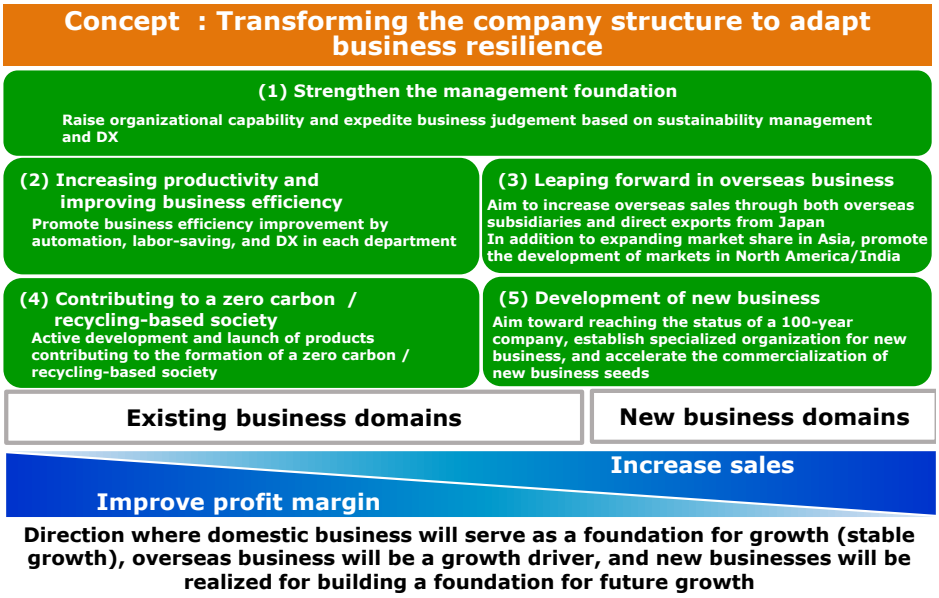
Medium- to long-term growth strategy

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

1. Transforming the company structure to adapt business resilience

In 2024, under its new president, the Company formulated “Medium-Term Management Plan 2026” with the concept of “transforming the company structure to adapt business resilience.” Under Medium-Term Management Plan 2026, the Company has set specific consolidated numerical targets for the final fiscal year (FY3/27): net sales of ¥20.0bn, operating profit of ¥2.0bn, ordinary profit margin of 10.5%, and ROE of 7.0%. The Company has not revised these FY3/27 consolidated targets due to the continued uncertainty surrounding issues such as US tariffs.

Concept for Medium-Term Management Plan 2026

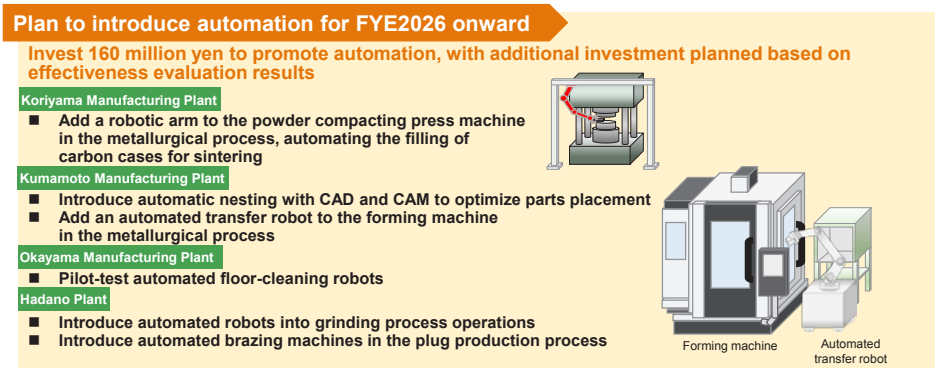


Source: The Company’s results briefing materials

In light of these conditions, the Company views improving profitability—not simply expanding sales—as its top priority, and is productivity improvement and business efficiency improvement through automation in the production division and utilization of the new core system. Specifically, in FY3/25, the Company overhauled its core system to advance digitalization. It also introduced robots for grinding operations at the Koriyama Manufacturing Plant and expanded the range of applicable products for automation robots in the metallurgy process. In addition, the Kumamoto Manufacturing Plant advanced the use of CAD/CAM systems. From FY3/26 onward, the Company plans to invest ¥160mn in automation initiatives, and intends to carry out further efficiency investments based on the results of performance evaluations. It also plans to improve profitability by reviewing its pricing strategy and selectively focusing on more profitable sales.

Medium- to long-term growth strategy

Automation implementation plan from FY3/26 onward



Source: The Company's results briefing materials

The following section focuses primarily on initiatives aligned with growth fields and growth strategies.

2. Product development targeting growth fields

(1) Next-generation vehicles

The Company plans to actively develop and launch products that contribute to contributing to 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 has been focusing on rechargeable batteries, motor cores and high thermal expansion lenses.

For molds used in forming rechargeable battery cases, the Company had already been developing solutions for rectangular types, but suffered a setback in the cylindrical battery business due to the transfer of key customers to the US following the US Inflation Reduction Act. In response, it plans to fully engage in the rectangular lithium-ion battery LIB business by leveraging its precision mold processing technology. The market for rectangular lithium-ion batteries for vehicle use is expanding, with Prime Planet Energy & Solutions, Inc., a joint venture established by Toyota Motor <7203> (51% stake) and Panasonic Holdings <6752> (49% stake), increasing its production capacity by approximately 7 GWh/year in 2024. Currently, demand for HEV-related batteries remains strong, and starting in 2026, production of high-performance lithium-ion batteries—positioned as a next-generation performance version—is scheduled to begin, centered around the Hyogo facility. Together with the Fukuoka site of its affiliated company Primearth EV Energy Co., Ltd. (PEVE), the total annual production capacity is planned to reach 9 GWh, and further expansion is anticipated.

Medium- to long-term growth strategy

The Company is expanding sales of punching molds for motor core manufacturing to Japanese motor core manufacturers. However, there are many domestic and overseas rivals in this market. While many applications are currently for hybrid vehicles (HEVs), the Company has launched a new material type, Fujilloy VG48, in anticipation of growing demand for electric vehicles (EVs). In EVs, the drive for higher motor output requires an increased number of layers, which in turn demands thinner electromagnetic steel sheets—currently in the 0.2–0.3 mm range. The Company is developing new material types in line with market trends. Among manufacturers, there is a shift in lamination methods from conventional caulking to adhesive or exterior dowel methods. In addition, as motor cores increase in diameter, mold materials must be adapted to handle electromagnetic steel sheets with a high level of hardness. These applications require excellent wear resistance, chipping resistance, and adhesion resistance. The Company's VG48 is a new material that offers significantly longer service life than previous products due to superior fracture toughness and wear resistance. It also resists the formation of microcracks during electric discharge machining and enables higher strength. If manufacturer certification progresses, demand is expected to expand significantly. The Company is working to expand its lineup of materials for motor core molds to increase customer options and boost market share.

For wire-cut electric discharge machines (EDMs) that use water-based fluids, the Company offers Fujilloy VG51, a product designed for long-duration water-based wire EDM processing. Compared to general-purpose materials, VG51 offers superior corrosion resistance and toughness, making it particularly effective in suppressing corrosion during long water-based cutting operations where the processing perimeter is large. Traditionally, oil-based fluids have been preferred due to their high insulation properties, which provide stable discharge characteristics and enable smooth, uniform surface finishes, especially in applications requiring ultra-precise discharge control such as nano-level machining. Oil also offers rust prevention benefits, protecting both the workpiece and internal machine components. However, oil is flammable, posing a fire risk, and requires proper disposal as industrial waste. In recent years, the development of additives and agents that improve the insulating properties of water has enabled water-based EDM to approach the precision of oil-based systems. Rust inhibitors and corrosion-suppressing agents have also improved performance, and tightening environmental regulations in many countries and regions has further accelerated the shift toward water-based processing with lower environmental impact. The newly developed Fujilloy VG51 minimizes corrosion even during prolonged water-based wire EDM processing. As long-duration, high-precision, and complex mold processing becomes more common, VG51 is expected to serve as a differentiated product with strong potential for increased sales.

The Company is also developing new material types in response to the growing trend of developing high-performance motors using amorphous alloy ribbon instead of conventional electromagnetic steel sheets. Motor output is proportional to the product of torque and rotational speed, and the physical size of a motor is determined by its maximum torque. Therefore, by increasing rotational speed, it is possible to achieve the same output with a smaller, lighter motor. However, higher rotational speeds present a major challenge in that increased eddy currents lead to greater iron loss and, consequently, higher motor power loss. To address this challenge, thin sheets of amorphous metal composed of iron (Fe), silicon (Si), and boron (B)—which exhibit only one-tenth the iron loss of conventional steel—have attracted attention. Amorphous metals, however, are hard and brittle, making them difficult to process. To enable punching of these thin sheets, the Company launched Fujilloy FS06 (first introduced on May 10, 2023), a nano-grain cemented carbide that achieves extremely high hardness and transverse rupture strength by refining the tungsten carbide (WC) grain size down to the nanoscale. Inquiries from manufacturers have been increasing. The Company also plans to continue developing new material types based on the Fujilloy FS06 platform. With this lineup of differentiated products, the Company expects to further expand sales in the motor core field.

Regarding automated driving in next-generation automobiles, the Company is working to expand sales in the Chinese market of hard alloys with high thermal expansion and low specific gravity (TR alloys), in addition to binderless cemented carbide for molding optical glass lenses—and results have begun to emerge. The Company has already brought to market molding dies for glass lenses used in SLR cameras by combining its powder metallurgy technology with ultra-precision processing technology. As automation technologies such as those used in automobiles, drones, and surveillance systems move toward practical implementation, demand has increased for binderless cemented carbide and high thermal expansion, low specific gravity hard alloys. Specifically, these lenses are believed to be increasingly adopted for light detection and ranging (LiDAR) applications used in advanced driver-assistance systems (ADAS). The thermal expansion coefficient of infrared-transmitting lens glass (9 MK-1 or higher) is greater than that of standard glass (6–8 MK-1). Conventional binderless cemented carbide molds (4–5 MK-1) faced problems with lens breakage during molding due to differences in thermal expansion coefficients between the lens and the mold. To address this issue, the Company developed and launched a new hard alloy—TR alloy—with a high thermal expansion coefficient (8 MK-1 or higher) and mirror surface finish equivalent to conventional materials. In fact, BYD, the world's leading EV/PHEV manufacturer, has equipped its luxury EV model Han EV with six LiDAR units—three in the front and three in the rear—as standard. In China, level-4 fully automated driving taxis started service in 2023, and deployment in general-use vehicles is also underway. Demonstration trials are also being conducted in other countries, and full-scale production expansion is expected. In addition to vehicle-mounted use, this alloy is also expected to be used for ground-based detection systems and infrared lens molds for security surveillance cameras. The Company has established the capability to handle large-diameter products and began sales in 2024. Given the strong anticipated demand in China in particular, production capacity will likely need to be increased, and expectations are rising.

(2) Resource savings

One area drawing attention in terms of resource efficiency and environmental impact reduction is the development of low-tungsten, low-cobalt alloys that significantly reduce the use of these rare metals while offering hardness and toughness comparable to cemented carbide and equivalent to steel. The Company is aiming to apply this material in the field of rotary tools (such as crushing rotary blades and hammers), which is expected to contribute to reduced power consumption by lowering motor load and to improved productivity through higher rotational speeds. The Company is responding to market needs and working to expand its lineup. With tungsten prices reaching historic highs amid ongoing US-China tensions and the Russia situation, and with China controlling the majority of global supply, concerns over stable supply are rising. Similarly, cobalt also faces growing supply risks, and there is potential for unexpected demand expansion.

(3) Next-generation energy business

In the field of next-generation energy, the Company is developing a hydrogen generating catalysts and electrode called Powder Metallurgy Electrode (PME). This new electrode is a nickel-based catalyst that is more affordable and more easily sourced compared to conventional precious metal catalysts, and it can reduce the voltage required for hydrogen production by 20%. It uses an oxide catalyst composition of calcium (Ca), iron (Fe), and copper (Cu), and contains no precious metals, making it a highly cost-efficient and environmentally friendly electrode. According to International Energy Agency (IEA) statistics, the cumulative global installed capacity of water electrolysis systems was approximately 1.4 GW as of the end of 2022. Alkaline water electrolysis (AWE) accounts for about 60%, and proton exchange membrane (PEM) electrolysis for about 30%. The Company is targeting anion exchange membrane (AEM) water electrolysis, which is considered a next-generation system. AEM aims to combine the advantages of AWE—namely, the ability to use non-precious metal catalysts in an alkaline environment (with drawbacks including lower durability, slower start-up, and low-pressure operation)—with the benefits of PEM, such as compactness and high current density (but at the high cost of Ir/Ru catalysts). The Company's catalyst is expected to enable both cost reduction and improved efficiency. Several AEM developers have already made inquiries, and the Company aims to bring the product to market in FY2027 and begin mass production. In parallel, the catalyst is also being developed for use in metal-air rechargeable batteries.

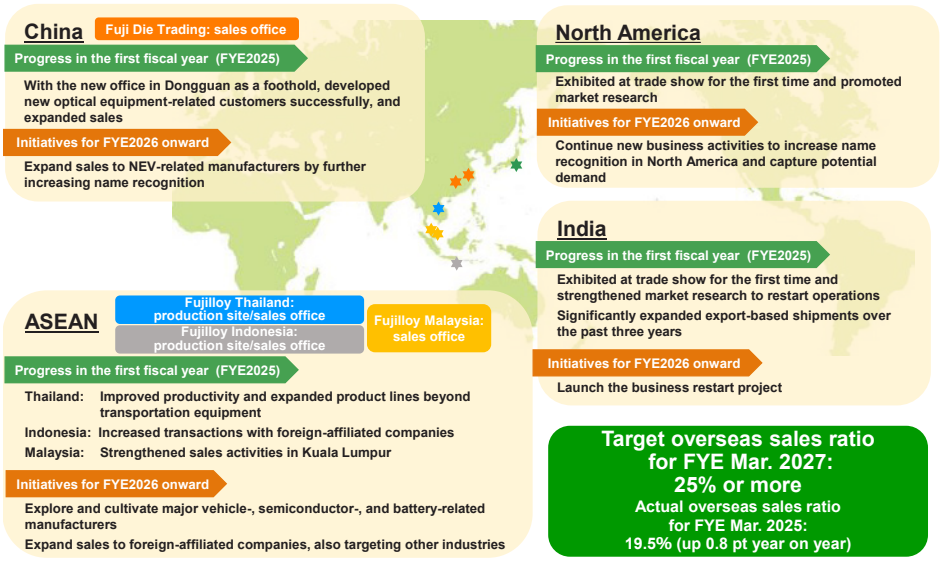
(4) Next-generation optical communications

NTT <9432> and others are currently promoting the development of next-generation information and communications networks under the Innovative Optical and Wireless Network (IOWN) initiative. In this field, the Company is developing ultra-precision connector molds such as for fiber arrays and microlens arrays, as well as glass molding molds for photonics applications. These molds require dimensional accuracy guarantees of less than 0.1 μm, and are manufactured using the Company's advanced ultra-precision processing and high-accuracy measurement technologies. By producing the tools used to manufacture the molds in-house, the Company aims to differentiate itself from competitors. The molds are currently undergoing customer evaluation.

3. Leaping forward in overseas business

As part of its initiatives from FY3/26 onward, the Company has set forth a goal of making a significant leap in its overseas business. Domestically, it plans to secure profits by improving efficiency without increasing headcount, while aiming to raise the overseas sales ratio to 25% by FY3/27. To expand overseas sales, particularly in Asia, the Company will pursue growth through both subsidiaries and exports. In July 2023, it established the Overseas Business Division and appointed an executive officer in charge to strengthen overseas operations. In February 2024, it opened a sales office in Dongguan, China. Demand for automotive ADAS and sensors is already growing rapidly, and the Company intends to further accelerate its sales expansion. Following China, the Company also plans to reopen its base in India, where export performance has been strong, during 1H FY3/25.

Initiatives from FY3/26 onward—leaping forward in overseas business

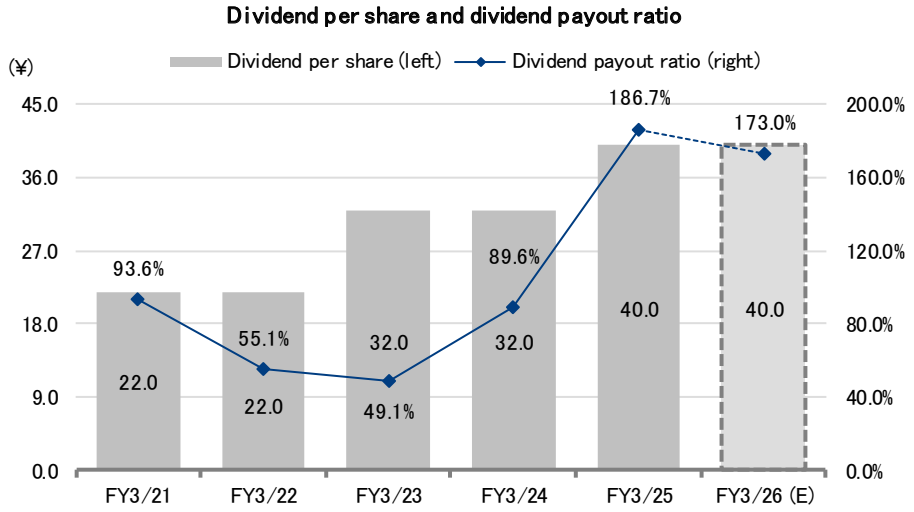


Source: The Company's results briefing materials

Shareholder return policy

For FY3/25, maintained annual dividend at ¥40 despite the decline in profit, revised dividend policy from a payout ratio basis to a DOE basis, with a target DOE of around 4%, and plans to continue the regular dividend of ¥40 in FY3/26

The Company has conducted appropriate profit allocation targeting a consolidated dividend payout ratio of 50% as its shareholder return policy. However, under the new medium-term management plan, it has revised its dividend policy from the conventional 50% payout ratio standard to a dividend on equity (DOE) basis, aiming to strengthen shareholder returns by targeting a DOE of 4.0% in FY3/26. Despite the decline in profit in FY3/25, the Company took into account its sound financial position and the fact that its PBR remains below 1.0, and implemented the initially planned dividend of ¥40 per share—an increase of ¥8 from the previous year's ¥32 per share, and an increase of ¥18 in terms of the regular dividend. For FY3/26 as well, the Company plans to pay a dividend of ¥40 per share based on an assumed DOE of 4.0%.



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

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