COMPANY RESEARCH AND ANALYSIS REPORT

OVAL Corporation

7727

Tokyo Stock Exchange Standard Market

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Summary

FY3/25 expected to exceed initial forecasts and achieve targets of medium-term management plan

OVAL Corporation <7727> (hereafter, also "the Company") was established in 1949 and is a pioneer in flowmeters. The Company is the largest specialized manufacturer of fluid measurement equipment and is listed on the Standard section of the Tokyo Stock Exchange (TSE). Its sensor division provides flowmeters that boast a wide-ranging lineup, its systems division provides system packages related to fluid measurement, and its service division offers precision maintenance to meet customer needs. Composed of these three businesses, the Company consistently provides products and services optimal for the times and pursues the highest level of customer satisfaction. It is working to grow into being Asia's No. 1 sensing solution company by FY3/32, and is in the midst of promoting a medium-term management plan, Imagination 2028 (FY3/26 to FY3/28).

1. Overview of FY3/25 results

In the consolidated results for FY3/25, net sales gained but profit declined such that net sales increased 4.9% year on year (YoY) to ¥15,048mn, operating profit decreased 3.6% to ¥1,422mn, ordinary profit declined 8.2% to ¥1,444mn, and profit attributable to owners of parent fell 6.6% to ¥1,029mn. Although the Company did not receive a lump sum payment for licensing fees from Anton Paar GmbH of Austria, which had been a one-time factor in the previous fiscal year, sales booked from large projects in the strongly performing systems division more than offset this and allowed the Company to achieve higher net sales. However, profits at all levels declined, because the sales increase was not enough to absorb the absence of the one-time factor from the prior year. Excluding this factor, however, profit was on an upward trend. As a result, both net sales and profit at all levels exceeded the Company's initial forecasts. Breaking down net sales by business division, the core sensor division posted a 4.5% YoY decline, as domestic sales to the semiconductor-related industry fell short of the strong results in the previous fiscal year, and overseas sales slowed due to a lull in battery-related demand in China and South Korea. On the other hand, net sales in the systems division increased 49.5% YoY, because the Company booked sales from large projects in Japan, making a significant contribution to overall earnings. Net sales in the service division rose 11.0% YoY, driven by continued steady and detailed maintenance activities as well as strengthened maintenance and calibration of products made by other companies. The equity ratio increased to 64.8%, securing a high level of financial soundness above the average for the precision instruments industry listed on the Prime, Standard, and Growth Markets. Although profit declined, the Company increased its annual dividend per share by ¥2.0 YoY to a record-high ¥16.0. As a result, the dividend payout ratio exceeded the industry average, indicating that the Company also gave sufficient consideration to shareholder returns.

2. FY3/26 forecasts

For the consolidated forecasts for FY3/26, the Company forecasts net sales of ¥15,500mn, up 3.0% YoY, operating profit of ¥1,450mn, up 1.9%, ordinary profit of ¥1,530mn, up 5.9%, and profit attributable to owners of parent of ¥920mn, down 10.7%. Net sales are expected to reach a record high, factoring in a lump sum payment for licensing fees from Anton Paar and large orders in the systems division. Despite projecting increases in raw material costs and personnel expenses, the Company expects both operating profit and ordinary profit to rise. The forecast decrease in profit attributable to owners of parent reflects an expected increase in income taxes. That said, it should be noted that the Company tends to issue cautious and conservative forecasts at the beginning of the fiscal year. FISCO believes that actual results are likely to exceed the forecast. The Company plans to increase its annual dividend per share by ¥4.0 YoY to a record-high ¥20.0, and FISCO is positive on the Company's management stance of prioritizing shareholder returns.

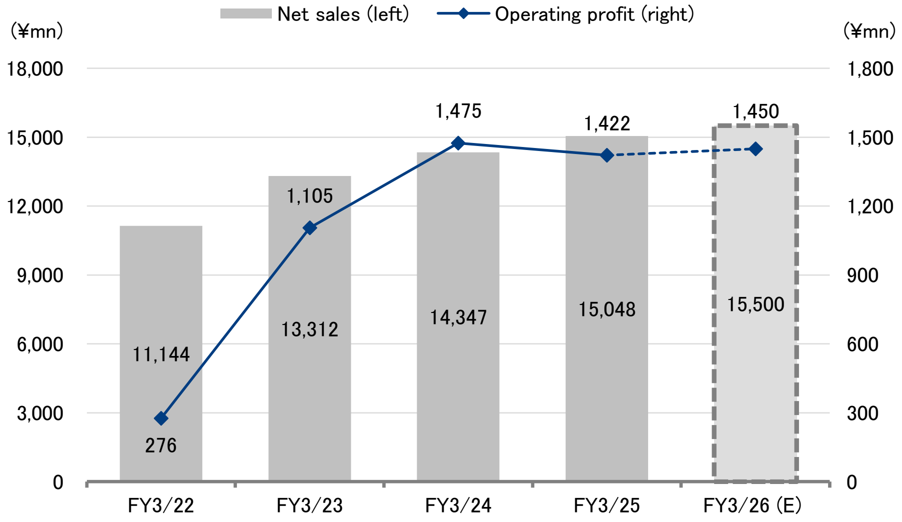
3. Medium- to long-term growth strategy

In the previous medium-term management plan, Imagination 2025 (FY3/23 to FY3/25), the Company achieved all of the upwardly revised targets announced in August 2023: net sales of ¥14.0bn, ordinary profit of ¥1.40bn, profit attributable to owners of parent of ¥0.88bn, and ROE of 5.7%. In its new medium-term management plan, Imagination 2028 (FY3/26 to FY3/28), the Company is targeting net sales of ¥17.0bn (up 13.0% from FY3/25), ordinary profit of ¥1.75bn (up 21.2%), profit attributable to owners of parent of ¥1.16bn (up 12.6%), and ROE of 7.2% (up 0.5 percentage points (pp)). To achieve these targets, the Company plans to strengthen and expand its sensor, service, and systems businesses while also creating new businesses. The plan also emphasizes management that is conscious of capital costs and share price. As part of this, the Company aims for a total payout ratio of over 70% (average over the three-year plan period) and a DOE of at least 2.7%, ensuring stable dividend payments regardless of profit fluctuations. It also intends to implement flexible share buybacks. Imagination 2028 is a highly ambitious and wide-ranging plan, and FISCO will be closely watching how it progresses.

Key Points

- A major dedicated manufacturer of fluid measurement equipment; carries out three businesses, the sensor division, systems division, and service division
- Lower profit on higher net sales in FY3/25. Systems division driver of net sales growth. Profit declined due to the absence of a one-time lump sum payment from a licensing agreement in the previous fiscal year, but excluding this special factor, profit trended upward and the Company paid a record-high dividend
- Expects record-high net sales in FY3/26
- Announced new medium-term management plan. Targets higher sales, profit, and ROE. Will work to strengthen and expand the three business divisions and create new businesses. Also plans aggressive shareholder returns, including a total payout ratio of over 70% (three-year average), a DOE of at least 2.7%, and flexible share buybacks

Results trends



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

Company profile and business overview

Develops integrated business as a dedicated manufacturer of fluid measurement equipment

1. Company profile

The Company was founded in May 1949 as a pioneer in flowmeters and is now a major dedicated manufacturer of fluid measurement equipment. The name OVAL refers to an oblong egg shape. By rotating an elliptical shaped cog with the flow, the flow volume can be measured. Flowmeters are the Company's roots and its showpiece product. It mainly conducts a B2B business targeting factories and plants, and flowmeters that measure fluids such as oil (kerosene, gasoline, heavy oil), water, vapor, and other liquids in production processes are the Company's mainstay product. It has continued business related to fluids, including system solutions, for over 70 years since its founding. In the future as well, sensors, such as flowmeters, will be indispensable to the automation of manufacturing, and the Company plans to provide this mother tool supporting manufacturing along with technologies cultivated over many years.

The Company has its head office in Shinjuku, Tokyo and has 11 consolidated subsidiaries under it (4 in Japan, and 7 overseas). It operates globally, primarily in Asia in countries such as China, Korea, and Taiwan, and in Southeast Asia. As of March 31, 2025, it has 691 consolidated employees and is currently listed on the TSE Standard Market. Jun Tanimoto has served as the Company's president and CEO since June 2011, and based on its medium- to long-term vision and medium-term management plan, it seeks to be the No. 1 sensing solutions company in Asia. In addition, as a part of its strategy to increase its name recognition, it utilizes mascot characters O-chan and VAL-chan on its website and results briefing materials, and has an affiliation agreement with cross-country skier Hikari Miyazaki.

2. History

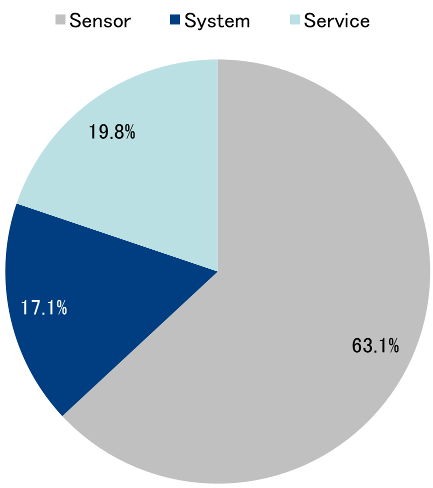
OVAL ENGINEERING CO., LTD., the Company's forerunner, was established in May 1949, and in December 1992, it changed its name to OVAL Corporation. Since its founding it has increased its consolidated subsidiaries to the current 11 and expanded its business domain. Currently, it primarily manufactures and sells various flowmeters, metrological and energy control equipment and related systems, fluid control devices, and other fluid measurement equipment for factories. It also carries out service division business, including related maintenance and flowmeter inspection services. In September 2006, it acquired registration based on the Japan Calibration Service System (JCSS), a registration system for calibration service providers under the Measurement Act. Solving customer issues with the added value of calibration quality is a strength of the Company. The Company listed on the TSE Second Section in July 1961, and changed its designation to the TSE First Section in May 2014. In April 2022, it transferred to the TSE Prime Market, but in October 2023 changed to the TSE Standard Market. This is due to management deciding that a sound, grounded approach to management is the optimal and most timely choice rather than putting too much emphasis on achieving the listing requirements of the Prime Market.

3. Business description

The Company Group is a single segment consisting of the manufacture and sale of measuring equipment, thus segment information is omitted, but information is disclosed by business division. The sensor division manufactures and sells flowmeters and other measuring devices along with related equipment. The systems division designs, develops, sells, and installs system equipment related to the manufacture, shipping, testing, and analysis of fluid measuring control. The service division handles products in the field, repair, maintenance, and calibration (including JCSS). The Company primarily handles industrial measuring equipment and does not handle meters for general residential waterworks and gas.

The respective shares of net sales of each business division in FY3/25 were 63.1% for the sensor division, 17.1% for the systems division, and 19.8% for the service division. Profitability is highest with the sensor division, then the service division and systems division. Based on sales and profit, the sensor division is the core business of the Company. The systems division is a field with intense international competition, but the Company sees it as a promising field long-term with great growth potential. By region, net sales are primarily domestic sales, but overseas sales, mostly in Asia, account for 20–30%. In the medium-term management plan aims for further growth, the Company is seeking to make further leaps forward. The sensor division and systems division are developed overseas, but the service division is primarily domestic.

Share of net sales by business division
(FY3/25: ¥15,048mn)



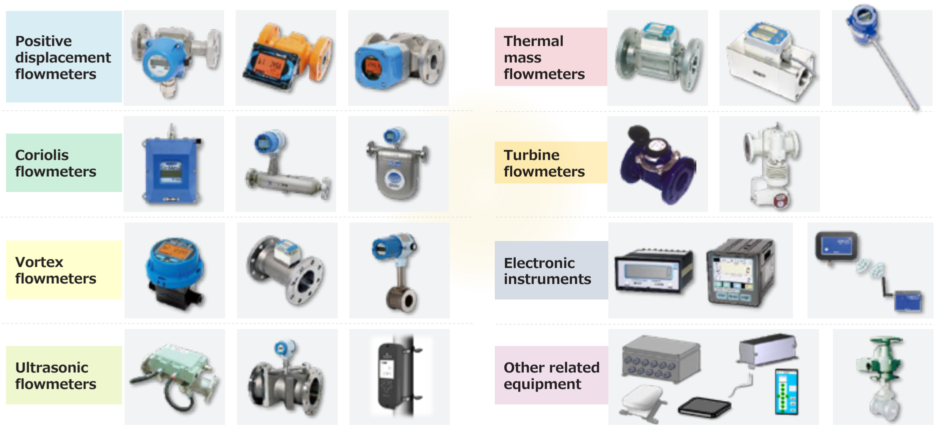
Source: Prepared by FISCO from the Company's financial results

4. Company strengths

The Company's three main strengths are a wide-ranging product lineup, systems and service centered on flowmeters, and JCSS for supply of measurement standards.

The first strength, a wide-ranging product lineup, in the field of industrial meters, only the Company can provide products that measure liquids, gases, and vapor from low to high temperatures, products that include positive displacement flowmeters, Coriolis flowmeters, vortex flowmeters, ultrasonic flowmeters, thermal mass flowmeters, turbine flowmeters, electronic instruments, and other peripheral equipment. Of these, its mainstay products are positive displacement flowmeters, Coriolis flowmeters, and vortex flowmeters. They account for 90% of the sensor division's sales. Its positive displacement flowmeters have an approximate 50% share of the domestic market. Compared to the Company's broad-ranging product lineup, industry majors Yokogawa Electric Corporation <6841> only have a portion of this lineup of flowmeters.

Wide-ranging lineup of flowmeters



Source: The Company's results briefing materials

For the second strength, systems and service centered on flowmeters, the Company provides receiving and inspection systems with its fluid measuring control system, conducts onsite repair and maintenance such as service and calibration (correction by comparing a meter's deviation and precision to a standard), and possesses mobile inspection vehicles. In this way, the Company covers not only the manufacture and sale of measuring equipment but with a broad network also offers systems and service.

Regarding the third strength, JCSS for supply of measurement standards, the Company is the only JCSS registered business with JCSS registration based on flow measurement method for three types of fluids, oil (kerosene, gasoline, heavy oil), water, and vapor. In particular, the flow rate that can be calibrated for petroleum is the largest among domestic calibration companies. In addition, the flow rate range is the widest among domestic calibration companies. With regard to the range of flow volumes as well, it offers the largest range as a calibration provider. With respect to the various types of flowmeters, the Company draws on the fact that it can provide JCSS calibration for differing fluids and wide flow volume ranges to solve customer issues by providing the added value of calibration quality to its flowmeters. The Company provides calibration services (flowmeter testing) not only for its own products but for the products of other companies as well, and going forward it plans to expand this service to flowmeters used at automakers and pharmaceutical companies.

Result trends

Lower profit on higher net sales in FY3/25, but excluding one-time factors, profit was on an upward trend, resulting in solid financial results

1. Overview of FY3/25 results

In FY3/25, the outlook for the world economy remained uncertain due to persistently high interest rates in the US and Europe, prolonged geopolitical tensions in Ukraine and the Middle East, and a slowdown in China's economic growth. In Japan, although the economy showed signs of moderate recovery supported by improvements in the employment and income environment and growth in inbound demand, rising labor costs led to higher prices, which weighed on personal consumption. Uncertainty in the trade environment stemming from US policy developments also contributed to the continued unclear outlook.

In these economic conditions, the Company Group continued to push ahead steadily with its medium-term management plan, Imagination 2025. As a result, in the Company's consolidated results for FY3/25, orders received declined 3.2% YoY to ¥14,502mn, net sales increased 4.9% to ¥15,048mn, operating profit decreased 3.6% to ¥1,422mn, ordinary profit fell 8.2% to ¥1,444mn, and profit attributable to owners of parent was down 6.6% to ¥1,029mn.

Compared to the previous fiscal year, orders received declined due to a downturn in the sensor division. Although there was no lump sum payment from the licensing agreement with Anton Paar of Austria—a one-time factor that contributed to sales in the previous fiscal year—this negative impact was offset by sales booked from large projects in the strongly performing systems division, allowing the Company to secure higher net sales. On the other hand, profit at all levels declined, as the increase in sales was not enough to fully absorb the absence of the one-time factor. However, excluding this factor, profit trended upward due to improved profitability from price revisions on existing products and profit growth in the systems division. As a result, both net sales and profit at all levels exceeded the Company's initial forecasts. FISCO believes that, excluding the impact of one-time factors, the Company delivered solid financial results.

Consolidated results for FY3/25

(¥mn)

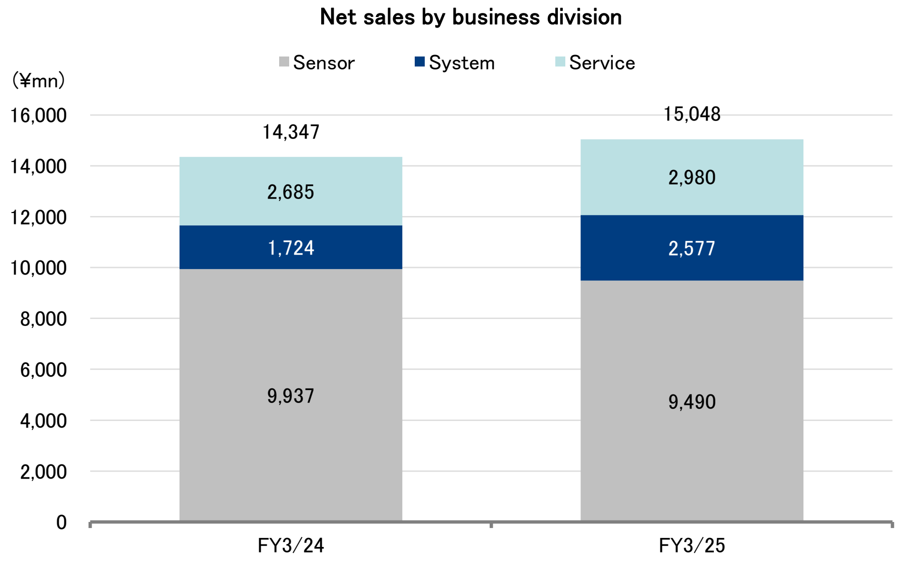
	FY3/24		FY3/25			YoY		vs. forecast	
	Result	vs. net sales	Forecast	Result	vs. net sales	Change amount	% change	Change amount	% change
Net sales	14,347	100.0%	14,000	15,048	100.0%	700	4.9%	1,048	7.5%
Cost of sales	8,395	58.5%	-	8,916	59.2%	520	6.2%	-	-
Gross profit	5,952	41.5%	-	6,132	40.8%	180	3.0%	-	-
SG&A expenses	4,476	31.2%	-	4,710	31.3%	233	5.2%	-	-
Operating profit	1,475	10.3%	1,300	1,422	9.5%	-53	-3.6%	122	9.4%
Ordinary profit	1,572	11.0%	1,400	1,444	9.6%	-128	-8.2%	44	3.2%
Profit attributable to owners of parent	1,102	7.7%	880	1,029	6.8%	-72	-6.6%	149	17.0%

Note: Initial plan at time of FY3/24 results announcement
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Looking at results by business division, orders received decreased 18.4% YoY to ¥8,410mn in the core sensor division. Main contributing factors were firm demand from the chemical-related industry in Japan, offset by a downturn in the semiconductor-related industry, which had benefited from frontloaded orders in the previous fiscal year. Overseas, although orders from the shipbuilding-related industry in China increased, the battery-related industry—including electric vehicles—in China and South Korea experienced a cooldown, leading to inventory buildup and sluggish demand. Net sales were also down 4.5% YoY to ¥9,490mn. As with orders received, sales to the chemical-related industry in Japan remained firm, but although the Company made shipments on orders received in the previous fiscal year for the semiconductor-related industry, net sales fell short of the previous fiscal year's level. Semiconductor-related orders tend to fluctuate depending on inventory levels, and the frontloaded orders in the previous fiscal year led to excess inventory and slower shipments. Overseas, battery-related demand in China and South Korea was also sluggish. In the previous fiscal year, the sensor division also booked a lump sum payment for intellectual property licensing fees from Anton Paar of Austria, and the absence of this one-time factor also contributed to the YoY decline in orders received and net sales.

In the systems division, orders received increased sharply to ¥3,022mn (up 52.1% YoY). This was attributable to orders received for big projects from the oil-related industry, the National Institute of Advanced Industrial Science and Technology (AIST; a public research organization), and the food-related industry. Orders from the oil-related industry illustrate the Company's contribution to energy security. Net sales also increased 49.5% YoY to ¥2,577mn. Overseas sales showed signs of recovery despite the lingering impact of reduced orders in the previous fiscal year, while in Japan, sales from large projects for AIST and the food-related industry were booked, driving a substantial increase over the previous fiscal year and contributing significantly to overall net sales growth. The project for AIST involved national standard facilities for flow measurement. By focusing on the design, manufacture, and sale of these technically advanced system products, the Company avoids price competition and achieves improved profitability. The Company is also working to expand its presence in the food-related industry going forward.

In the service division, orders received were ¥3,068mn (up 13.9% YoY), and net sales were ¥2,980mn (up 11.0%). This growth was the result of the Company's shift from passive to proactive services, leveraging its long-standing expertise and know-how as a dedicated flowmeter manufacturer to provide calibration services for other manufacturers' products and proposal-based maintenance tailored to customer operating conditions, in addition to steady and meticulous maintenance services. The Company also reviewed contractual arrangements and implemented price increases for certain services in light of rising personnel and material costs. Net sales in the service division have continued on an upward trend and are less susceptible to economic fluctuations than the other divisions.



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

Maintaining a high level of safety

2. Financial position and management indicators

Total assets at the end of FY3/25 were ¥24,493mn, up ¥1,042mn from the end of the previous fiscal year. Of these, current assets were ¥13,452mn, up ¥817mn. This was attributable to decreases of ¥192mn in electronically recorded monetary claims - operating, ¥355mn in inventories, and ¥190mn in contract assets offset against increases of ¥779mn in cash and deposits and ¥765mn in notes and accounts receivable - trade. Inventories (total of merchandise, finished goods, work in progress, raw materials and supplies) were increased through the end of FY3/24 to maintain delivery deadlines for the Company's products during material supply shortages (difficulty of obtaining electronic components due to the semiconductor shortage). As a result of this initiative, all deliveries were made on time. It is expected that the Company will continue to take a flexible approach according to the semiconductor market situation. In addition, non-current assets were ¥11,041mn, up ¥225mn. This was mainly due to a ¥98mn increase in machinery, equipment and a ¥120mn increase in other tangible fixed assets.

At the same time, total liabilities were ¥8,172mn, up ¥86mn from the end of the previous fiscal year. Of these, current liabilities were ¥4,554mn, up ¥239mn. This was mainly attributable to notes and accounts payable - trade increasing ¥131mn and income taxes payable increasing ¥105mn. Non-current liabilities were ¥3,618mn, down ¥152mn. This was mainly attributable to long-term borrowings decreasing ¥145mn. The total of both long-term and short-term borrowing was ¥1,618mn, down ¥199mn. Total net assets were ¥16,320mn, up ¥956mn. This was primarily attributable to increases in retained earnings of ¥716mn, and foreign currency conversion adjustment of ¥186mn.

As a result of the above, the equity ratio increased to a highly commendable 64.8%, a high level of safety above the average of 58.5% for the precision instruments industry listed on the Prime, Standard, and Growth Markets in FY3/24, the most recent year for which data is available. At the same time, with ROA at 6.0% and ROE at 6.7%, indicators of profitability were below the industry average, so strengthening profitability is an issue going forward.

Consolidated balance sheets and management indicators

(¥mn)

	FY3/24	FY3/25	Change
Current assets	12,634	13,452	817
Cash and deposits	3,392	4,172	779
Notes and accounts receivable - trade, and contract assets, electronically recorded monetary claims - operating	5,031	5,342	311
Inventories	3,929	3,573	-355
Non-current assets	10,816	11,041	225
Property, plant and equipment	8,754	8,974	220
Intangible assets	474	383	-91
Investments and other assets	1,587	1,683	96
Total assets	23,451	24,493	1,042
Current liabilities	4,315	4,554	239
Short-term borrowings	1,310	1,257	-53
Non-current liabilities	3,771	3,618	-152
Long-term borrowings	507	361	-145
Total liabilities	8,086	8,172	86
Total borrowings	1,817	1,618	-199
Total net assets	15,364	16,320	956
[Safety]			
Equity ratio	63.6%	64.8%	1.2pp
[Profitability]			
ROA (return on assets)	6.9%	6.0%	-0.9pp
ROE (return on equity)	7.7%	6.7%	-1.0pp

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

Cash and cash equivalents at the end of the current period was ¥3,846mn, up ¥649mn from the end of the previous fiscal year. Funds received from operating activities was ¥1,987mn. This was due to lower funds from increases in trade receivables and contract assets, but funds increased from current net income for the period before taxes and depreciation expenses. Funds expended for investment activities was ¥844mn. This was a result of increased funds from the withdrawal of time deposits, and decreased funds from expenditure to acquire property, plant and equipment and deposit time deposits. Funds expended for financial activities was ¥606mn. While funds increased from income via long-term debt, it decreased from expenditure on long-term debt repayments and payment of dividends.

As a result, free cash flow—cash the Company is free to use—rose significantly from ¥830mn in the previous fiscal year to ¥1,142mn.

Consolidated cash flow statement

(¥mn)

	FY3/24	FY3/25
Cash flow from operating activities (a)	1,002	1,987
Cash flow from investing activities (b)	-172	-844
Cash flow from financial activities	-683	-606
Free cash flow (a) + (b)	830	1,142
Cash and cash equivalent year-end balance	3,197	3,846

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

Outlook

Expects record-high net sales and higher operating profit in FY3/26

● FY3/26 forecasts

Looking ahead, the global outlook remains uncertain due to persistent global inflation, changes in monetary policy, and uncertainty surrounding US policy developments. In addition, capital investment by customer companies, which has a major impact on the Company Group's earnings, may be delayed amid this uncertainty in the trade environment, and the Company expects the challenging business climate to continue.

Amid these conditions, under the new medium-term management plan Imagination 2028, the Company Group will shift to the growth phase (Phase 2) beginning in FY3/26. It will focus on developing new markets and products, aiming for further growth across the entire corporate group. Regarding its consolidated full-year forecasts for FY3/26, the Company projects net sales of ¥15,500mn (up 3.0% YoY), operating profit of ¥1,450mn (up 1.9%), ordinary profit of ¥1,530mn (up 5.9%), and profit attributable to owners of parent of ¥920mn (down 10.7%). Net sales are expected to reach a record high, factoring in a lump sum payment from a licensing agreement with Anton Paar and large orders in the systems division. Despite anticipated increases in raw material costs and personnel expenses, both operating profit and ordinary profit are projected to increase. The forecast decline in profit attributable to owners of parent reflects an expected increase in income taxes. That said, the Company tends to issue cautious and conservative forecasts at the beginning of the fiscal year. FISCO believes there is a strong possibility that full-year results will exceed the forecast.

FY3/26 consolidated result forecasts

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	vs. net sales	Forecast	vs. net sales	Change amount	% change
Net sales	15,048	100.0%	15,500	100.0%	451	3.0%
Operating profit	1,422	9.5%	1,450	9.4%	27	1.9%
Ordinary profit	1,444	9.6%	1,530	9.9%	85	5.9%
Profit attributable to owners of parent	1,029	6.8%	920	5.9%	-109	-10.7%

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

Medium- to long-term growth strategy

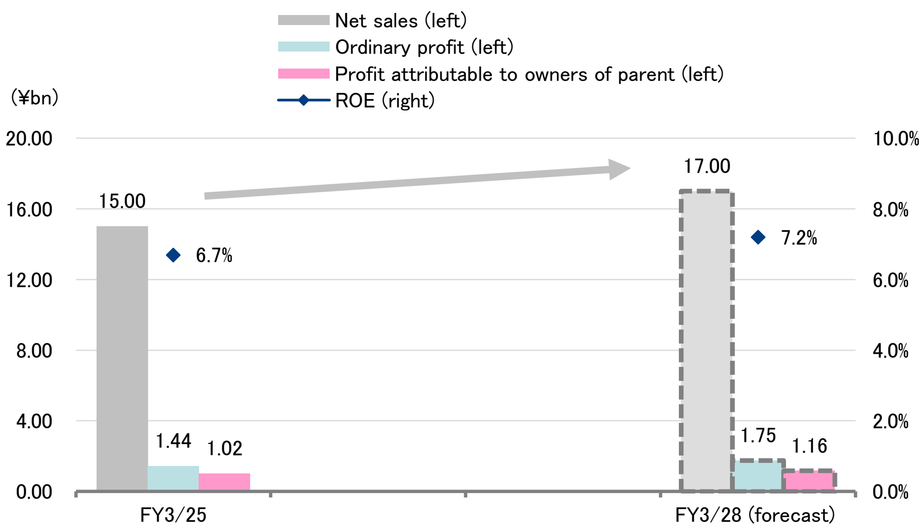
Aiming to be Asia's No. 1 sensing solutions company

1. Overview of new medium-term management plan

As its medium- to long-term management vision—the foundation of its medium-term management plan—the Company is aiming to become Asia's No. 1 sensing solutions company by FY3/32, with targets of ¥20.0bn in net sales, an ordinary profit margin of at least 14.0%, and ROE of at least 10.0%. Notably, the target ordinary profit margin has been revised upward from the original 10.0%. The previous medium-term management plan, Imagination 2025, which positioned structural reform as Phase 1, represented the first step toward achieving this long-term vision. As the Company achieved all of its upwardly revised targets announced in August 2023—net sales of ¥14.0bn, ordinary profit of ¥1.40bn, profit attributable to owners of parent of ¥0.88bn, and ROE of 5.7%—it further revised its long-term targets. The Company also successfully executed its growth strategy and initiatives to strengthen the management foundation as planned.

The succeeding medium-term management plan, Imagination 2028 (FY3/26 to FY3/28), is positioned as Phase 2, the growth phase, the second step toward achieving the long-term vision. The Company is targeting net sales of ¥17.0bn (up 13.0% from FY3/25), ordinary profit of ¥1.75bn (up 21.2%), profit attributable to owners of parent of ¥1.16bn (up 12.6%), and ROE of 7.2% (up 0.5pp).

Numerical targets of the new medium-term management plan



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

To achieve its performance targets, the Company has established basic strategies: a growth strategy and an approach for strengthening the management foundation. For its growth strategy, the Company will closely follow changes in the business environment to reform existing businesses and conduct innovation to solve social issues. This strategy has been defined as one for raising corporate value. It is composed of a 1) growth strategy for the sensor business, 2) growth strategy for the service business, 3) growth strategy for the systems business, and 4) strategy for creating new business. Further, as for the strategy to strengthen the management foundation, the Company will revise and improve the current management foundation and define a strategy for building a management foundation that is resilient and can be trusted by society by the deployment of new organizations to meet the changing times. Specifically, the strategy will be composed of 1) productivity improvement strategy, 2) human resource strengthening strategy, 3) DX (Digital Transformation) promotion strategy, and (4) sustainability promotion strategy.

In addition, as company-wide basic policies, the plan outlines the following targets: (1) Under the growth strategy, as part of enhancing existing businesses, the Company aims to increase sales of new and renewed products by 30% and sales in the Asian market by 15%, both compared to FY3/25. As part of the exploration of new businesses, it targets ¥1.7bn in net sales from new business. (2) Under the strategy to strengthen the management foundation, as part of enhancing the foundation, the Company aims to increase operating profit per employee by 10%. As part of growing carbon-neutral products, it plans to increase sales of hydrogen- and ammonia-related products by 50%. As part of creating a supportive workplace, it is targeting a 5% increase in employee engagement survey satisfaction, maintaining the current employee turnover rate, and a 20% increase in the number of female managers. (3) In terms of capital policy, as part of enhancing shareholder returns, the Company is targeting ROE of 7.2% in FY3/28, a total payout ratio of over 70% (three-year average for the plan period), and a DOE of at least 2.7%. As the new medium-term management plan is a highly ambitious and wide-ranging plan, FISCO will be closely monitoring its progress going forward.

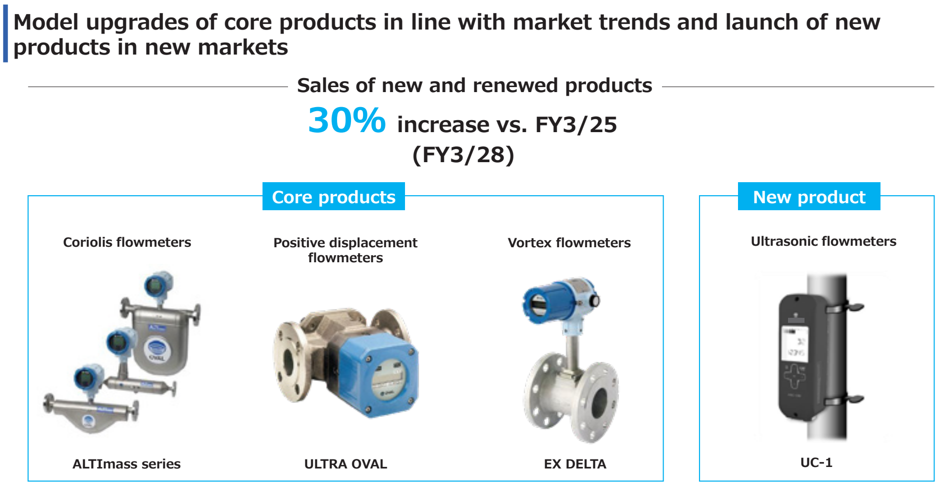
2. Growth strategies for achieving new medium-term management plan

The specific action plan and results of the growth strategy are as follows.

(1) Sensor business growth strategy

In the sensor business, the Company aims to expand sales of new and renewed products by launching updated versions of its core products adapted to current market needs and introducing new products in new markets. Its current core products are Coriolis flowmeters, positive displacement flowmeters, and vortex flowmeters. A recent example is the release of the UC-1 ultrasonic flowmeter in FY3/25. The UC-1 is a clamp-on ultrasonic flowmeter for liquids developed under the concept of being ‘completely construction-free.’ It allows for simple and easy flow measurement, making it ideal for measuring utility fluids (such as water and hot water essential to facility operations) in factories and commercial facilities. In the past, installation in branch pipes was difficult due to cost and construction time, but with the UC-1, flow can be visualized throughout the entire system, allowing users to monitor water usage, reduce waste, and contribute to energy conservation and decarbonization. The Company plans to continue releasing new products and updated models and aims to increase sales of new and renewed products by 30% compared to FY3/25 by FY3/28.

Sensor business: Expanding sales of new and renewed products



Source: The Company's results briefing materials

In addition, the Company is actively investing in and promoting the development and provision of products and services related to building a decarbonized society and alternative energy supply chains, with the aim of expanding its hydrogen- and ammonia-related business within the sensor division. For FY3/28, it plans to increase sales of products for hydrogen and ammonia measurement by 50% compared to FY3/25.

(2) Service business growth strategy

In the service business, the Company is aiming to expand its hydrogen- and ammonia-related business by constructing a hydrogen gas calibration facility—one of the few of its kind in Japan—in order to supply highly accurate and reliable hydrogen flowmeters.

The Company has been working on plans to construct OVAL H2 Lab, a hydrogen gas calibration facility for large volume flowmeters used in hydrogen gas measurement, which is now scheduled to begin operation within FY3/26. The precision of flowmeters depends on a process called calibration whereby the fluid (gas or liquid) to be measured is run through the flowmeter to check for differences between measured values of the device under test and standard, and any measurement inconsistencies. Measurements could be inaccurate unless calibration is performed correctly. The Company is concentrating its resources on the next-generation energy market. It is focused on improving the quality of flowmeters for hydrogen gas measurement to play a role in the supply chain to create a new business opportunity as well as contribute toward a sustainable society through decarbonization and carbon neutrality. After completion, the calibration facility is expected to begin contributing to earnings in FY3/27 onward by performing calibration of the Company's own and other manufacturers' products.

Service business: Expanding hydrogen- and ammonia-related business

Construction underway for a hydrogen gas calibration facility—one of the few in Japan—to supply highly accurate and reliable hydrogen flowmeters, with operations scheduled to begin within the year

Hydrogen gas calibration facility
OVAL H2 Lab

- Enhancing the quality of hydrogen flowmeters
- Calibration support for hydrogen flowmeters, regardless of manufacturer

Expanding the hydrogen flowmeter calibration business

Note: Hydrogen gas calibration facility – A dedicated facility for verifying and adjusting the accuracy of flowmeters by running actual hydrogen gas through them

Source: The Company's results briefing materials

(3) Systems business growth strategy

In the systems business, the Company is contributing to energy security by providing petroleum trading systems that help ensure a stable energy supply during the transition to a decarbonized society. These efforts to support energy security are also positioned as contributions to society. The Company is also aiming to increase total sales in the Asian market (including divisions outside the systems business) by 15% compared to FY3/25. To achieve this, it plans to expand sales channels by strengthening collaboration among its Group companies in Southeast Asia—centered on Singapore—as well as in China, South Korea, and Taiwan.

In the systems business, OVAL ASIA PACIFIC PTE. LTD.—a consolidated subsidiary based in Singapore that oversees the Company's operations in Asia—specializes in supplying flow measurement and calibration systems used for petroleum trading on floating production, storage, and offloading systems (FPSOs) and floating storage and offloading systems (FSOs), which are floating facilities for the offshore production, storage, and offloading of crude oil and natural gas. The Company plans to leverage its extensive experience and proven track record in delivering these systems.

A recent achievement by OVAL ASIA PACIFIC was the announcement in April 2025 that it had received a large-scale systems order from PTSC Asia Pacific in Vietnam. This order is believed to reflect recognition of the Company's accumulated experience and proven track record. In this way, the Company Group is not only working toward its goal of becoming Asia's No. 1 sensing solutions company, but is also contributing to stable energy supply and energy security.

Systems business: Contributing to energy security

Providing petroleum trading systems to help ensure a stable energy supply during the transition to a decarbonized society

Sales in the Asian market

15% increase vs. FY3/25 (FY3/28) Note: Includes sales from outside the systems division

Expanding sales channels by strengthening collaboration among Group companies in Southeast Asia, China, South Korea, and Taiwan, with Singapore as regional hub

OVAL ASIA PACIFIC PTE. LTD. (Singapore subsidiary) specializes in high-performance flow measurement and calibration systems used on floating production, storage, and FPSOs and FSOs for offshore oil and gas production, storage, and offloading, leveraging its extensive experience and proven track record in this area

OVAL ASIA PACIFIC PTE. LTD. receives large-scale systems order from PTSC Asia Pacific in Vietnam

April 2025 news release

Order for a metering system (flow measurement system)* and proving system (flow calibration system) to be installed on an FSO at the LAC DA VANG oil field

***These systems are used to accurately determine transaction volumes when trading petroleum and other fluids. They prevent discrepancies in quantity and enable accurate, data-driven transactions.**

Source: The Company's results briefing materials

(4) New business creation strategy

In new business creation, the Company is pursuing new initiatives that leverage its proprietary technologies. Specifically, it aims to develop new markets by launching new businesses through its internal venture program and developing products outside the field of flow measurement. The Company is targeting a net increase of ¥1.7bn in sales from new businesses by FY3/28.

A recent example is the Company's support service for ChemSHERPA (a scheme for investigating chemical substances contained in products). Acting as an intermediary between the customer and its suppliers, the Company provides a service that manages the exchange and administration of ChemSHERPA data. This enables customers to obtain the required response documents while being freed from tasks such as requesting information from suppliers, checking and compiling data, and preparing the response forms. This service originated from the Company's internal venture program and is now being applied as a consulting business.

Another example is the Lock'n Lorry® smart sealing system, which the Company began selling in June 2025. This product was developed in response to a proposal from one of its customers and is a derivative solution that utilizes the Company's wireless technology. It allows users to monitor the locking status of tanker trucks used for transporting food and beverages via smartphone. The system eliminates the need for plastic cable ties, reduces the need for work at height on top of tanks—enhancing safety—and improves operational efficiency and reliability through automatic logging and paperless processes. In this way, the product contributes to solving societal issues.

These growth strategies are key drivers for achieving the management targets set forth in the medium-term management plan. FISCO will continue to closely monitor the Company's progress.

Shareholder return policy

From FY3/26, the Company will implement stable dividend increases regardless of profit fluctuations

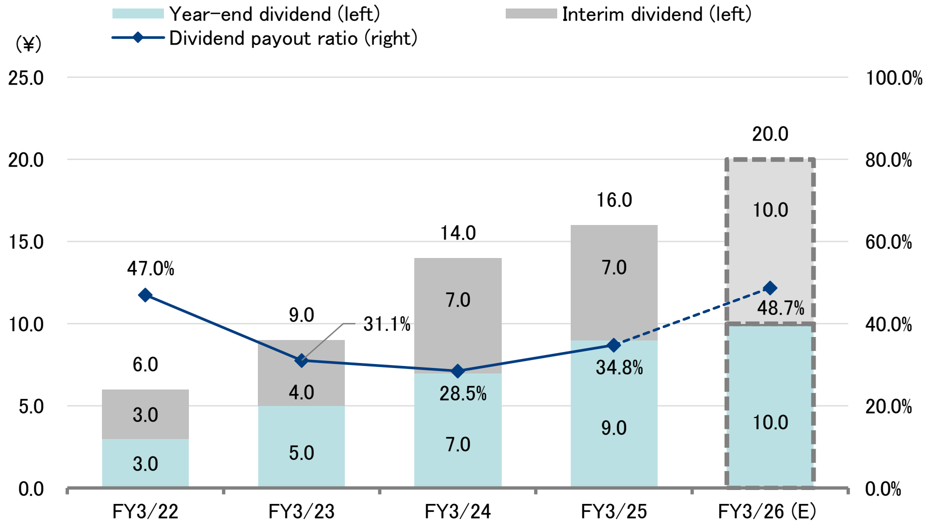
The Company pays out a dividend as its policy on shareholder returns. Its basic policy on dividends is to recognize that returning profits to shareholders is a very important priority and to make decisions upon comprehensively considering securing its management foundation and enhancing its financial condition for future business development. Under the new medium-term management plan, the Company has introduced dividend on equity ratio (DOE) as a shareholder return indicator to ensure stable dividend payments regardless of profit fluctuations. DOE refers to the ratio of dividends paid to shareholders' equity and indicates how much of its capital a company returns to shareholders as dividends. During the plan period, the Company is targeting a total payout ratio of over 70% (three-year average) and a DOE of at least 2.7%. In addition to dividends, it also plans to implement flexible share buybacks.

The Company planned to pay record-high dividends in FY3/25 totaling ¥15.0 per share (up ¥1.0 YoY), breaking down into a ¥7.0 interim dividend and ¥8.0 year-end dividend. It announced with 1H results that it planned a year-end dividend of ¥9.0 per share, increasing the annual dividend to ¥16.0 per share. As a result, the dividend payout ratio is forecast to increase from 28.5% to 34.8%, far exceeding the 23.2% average for precision instruments industry companies listed on the Prime, Standard, and Growth Markets, according to the latest data for FY3/24. For FY3/26, although the Company is forecasting a decline in profit attributable to owners of parent, it plans to raise the annual dividend to a record-high ¥20.0 per share (up ¥4.0 YoY), with an interim dividend of ¥10.0 and a year-end dividend of ¥10.0, based on its DOE target. FISCO views this as a reflection of the Company's strong commitment to shareholder returns.

In August 2024, the Company announced its plans for implementing management with awareness of cost of capital and share price. This is in response to the TSE communication in March 2023 requesting that all listed companies on the Prime and Standard Markets take "action to implement management that is conscious of cost of capital and stock price." The Company's announcement calls for targeting ROE of 10% at and improving PBR to over 1.0 times at an early stage in the context of an improving ROE trend, but PBR staying below 1.0. Although many companies have not submitted their plans, the Company has announced measures to improve profit margins, increase total asset turnover, strengthen financial management, and foster growth expectations in its new medium-term management plan.

While steadily advancing the new medium-term management plan, the Company also intends to promote initiatives to enhance corporate value in order to further improve its reputation among investors and business partners. To this end, it is also focusing on its IR strategy to facilitate greater dialogue with shareholders and investors. FISCO has high expectations for the Company's future results.

Dividends and payout ratio



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

FISCO

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