OVAL Corporation

7727

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Contents

Summary

Higher sales and significantly increased profit in FY3/26. Progressing steadily toward achieving medium-term management plan targets, with higher sales and profit also expected in FY3/27

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 Market 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. The Company aims to become Asia's No. 1 sensing solutions 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 FY3/26 results

In the consolidated results for FY3/26, net sales increased 3.6% year on year (YoY) to ¥15,589mn, operating profit increased 19.7% to ¥1,703mn, ordinary profit increased 22.7% to ¥1,771mn, and profit attributable to owners of parent increased 36.0% to ¥1,400mn, resulting in net sales growth and significantly higher profit. Net sales increased due to receipt of a one-time payment associated with a license agreement from Austria-based Anton Paar GmbH (hereafter, Anton Paar), price hikes on certain products, and other factors. Profit significantly exceeded the initial forecast at each level due to net sales growth and an improved cost ratio. In terms of net sales by business segment, in the core sensor division, domestic sales in the chemical-related industry trended solidly. Overseas, sales to the Chinese shipbuilding-related industry were strong, and the Company also received a one-time contract payment from Anton Paar. Sales were strong, rising 9.9% YoY. The systems division recorded a certain amount of net sales due to the progress of large projects overseas, but domestically, there was a strong reaction in response to a concentration of large orders in the previous fiscal year, resulting in a 23.0% decrease. In the service division, continued diligent, meticulous maintenance activities and stronger calibration services for other companies' products drove a 6.6% increase. The equity ratio was 63.7%, securing a high level of financial soundness above the average for the precision instruments industry listed on the Prime, Standard, and Growth Markets in FY3/25, which is the latest available data. FISCO positively evaluates the Company's management status that emphasizes shareholder returns, given that it raised the dividend per share for FY3/26 by ¥4.0 YoY to ¥20.0 and also conducted a large-scale share repurchase.

2. FY3/27 forecasts

Regarding its consolidated forecasts for FY3/27, the Company projects net sales of ¥16,000mn (up 2.6% YoY), operating profit of ¥1,800mn (up 5.7%), ordinary profit of ¥1,900mn (up 7.2%), and profit attributable to owners of parent of ¥1,420mn (up 1.4%). Net sales are expected to be at approximately the same level as the previous fiscal year. Furthermore, despite anticipated increases in raw material costs and personnel expenses, slight increases in profits at each level are forecast due to factors such as improved sales unit prices and ongoing improvement of the systems division's profitability. That said, the Company tends to issue cautious and conservative forecasts, so FISCO believes that there is a strong possibility that the full-year results will exceed the forecast. Based on its policy of enhancing shareholder returns, the Company plans to raise the dividend per share by ¥8.0 YoY to ¥28.0 per year, marking a fifth consecutive fiscal year of record-high dividends and achieving the dividend target under the medium-term management plan one year ahead of schedule.

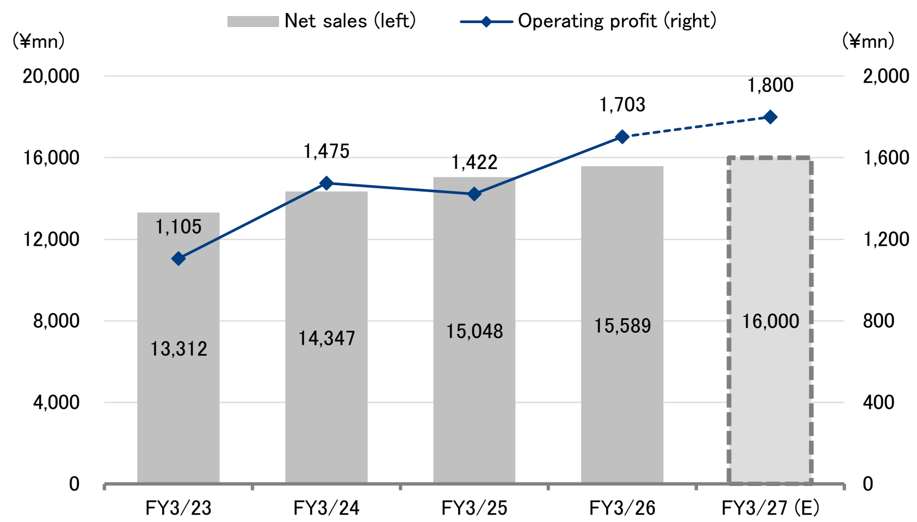
3. Medium- to Long-Term Growth Strategy

In the medium-term management plan currently in progress, 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, and the Company will make active efforts to enhance shareholder returns, such as aiming for a total payout ratio of over 70% (average over the three-year plan period) and a DOE of at least 2.7%. Based on this policy, the Company conducted a share repurchase in FY3/26, balancing improved capital efficiency and enhanced shareholder returns. The medium-term management plan is an ambitious, wide-ranging plan, and while it is still early, the Company has made a good start. In FY3/26, the first year of the plan, it has already surpassed its targets for ordinary profit, profit attributable to owners of parent, and ROE. It is making steady progress with its growth strategy as well, and FISCO intends to closely monitor future developments.

Key Points

- A leading dedicated manufacturer of fluid measurement equipment. Carries out three businesses: the sensor division, systems division, and service division
- Achieved higher sales and significantly increased profit in FY3/26. Implemented dividend increase and large-scale share repurchase
- Forecasts increased sales and profit in FY3/27 as well, but initial forecast is conservative. Plans record-high dividend for fifth consecutive fiscal year by significantly raising dividend
- The medium-term management plan targets higher sales and profit and improved ROE. The Company also plans aggressive shareholder returns, including a total payout ratio of at least 70% (three-year average), a DOE of at least 2.7%, and flexible share repurchases

Results trends



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

Company profile and business overview

A pioneer in flowmeters and a leading dedicated manufacturer

1. Company profile

The Company was founded in May 1949 as a pioneer in flowmeters and is now a leading dedicated manufacturer of fluid measurement equipment. The name OVAL refers to an oblong egg shape. Flow volume is measured by the rotation of oval-shaped gears driven by the fluid flow. 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. Since its founding, the Company has been engaged in fluid-related businesses, including systems solutions, for more than 70 years. In the future as well, sensors, such as flowmeters, will be indispensable to the automation of manufacturing, and the Company plans to provide these essential mother tools for manufacturing, backed by 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 Singapore. As of March 31, 2026, it has 678 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

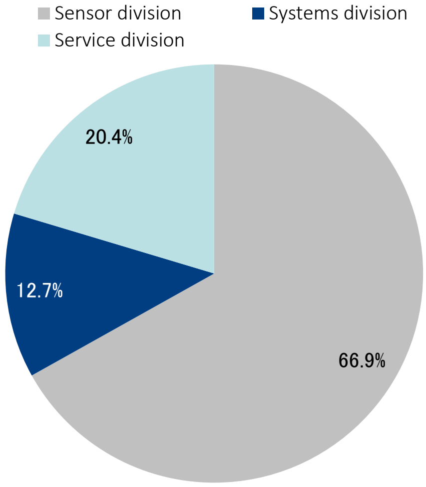
OVAL ENGINEERING CO., LTD., the Company's forerunner, was established in May 1949, and in December 1992, it changed its name to OVAL Corporation. Since its founding, the Company has expanded both its business scope and its group structure, which now comprises 11 consolidated subsidiaries. Currently, 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. The Company's strength lies in helping customers address operational challenges through high-quality calibration services. The Company listed on the TSE Second Section in July 1961, and was transferred to the TSE First Section in May 2014. In April 2022, it transferred to the TSE Prime Market, but changed to the TSE Standard Market in October 2023. 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 operates as a single business segment engaged in the manufacture and sale of measurement 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 provides services for installed products, repair, maintenance, and calibration (including JCSS-accredited calibration services). The Company focuses primarily on industrial measuring equipment and does not offer meters for general residential waterworks and gas.

The respective shares of net sales of each business division in FY3/26 were 66.9% for the sensor division, 12.7% for the systems division, and 20.4% for the service division. The sensor division has the highest profitability, followed by the service division and the systems division. Based on sales and profit, the sensor division is the core business of the Company. The systems division operates in a highly competitive global market, but the Company views it as a promising business area with significant long-term growth potential. In terms of net sales by region, the majority is domestic sales, but overseas sales, mostly in Asia, account for 20–30%. In the medium-term management plan, the Company aims for further growth. The sensor division and systems division are expanding their overseas business activities, but the service division is primarily domestic.

Net sales composition by business division
(FY3/26 net sales: ¥15,589mn)



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

4. Company strengths

The Company's three key strengths are its extensive product lineup, flowmeter-centered systems and service capabilities, and its Japan Calibration Service System (JCSS) accredited calibration services, which provide traceable measurement standards.

First, the Company offers an extensive lineup of industrial flowmeters, including positive displacement flowmeters, Coriolis flowmeters, vortex flowmeters, ultrasonic flowmeters, thermal mass flowmeters, and turbine flowmeters, as well as related electronic instruments and peripheral equipment. Only the Company provides products that measure a wide range of liquids, gases, and steam from low to high temperatures. Among these products, positive displacement flowmeters, Coriolis flowmeters, and vortex flowmeters represent the Company's core offerings. They account for 90% of the sensor division's sales. Its positive displacement flowmeters are estimated to hold approximately 50% of the domestic market. Compared to the Company's comprehensive product lineup, competitor industry majors such as Yokogawa Electric Corporation <6841> provide a more limited range of flowmeter products.

Extensive lineup of flowmeters

Source: The Company's results briefing materials

Second, the Company's strength lies in its flowmeter-centered systems and service capabilities. It provides fluid measurement and control systems, including receiving and inspection systems, and offers on-site repair, maintenance, and calibration services. The Company also operates mobile calibration and inspection vehicles. As a result, it provides a comprehensive value chain that extends beyond the manufacture and sale of measurement equipment to include systems integration and after-sales services through its extensive service network.

The third strength is its JCSS-accredited calibration capability, which provides traceability to national measurement standards. The Company is the only JCSS-accredited provider in Japan certified for flow measurement calibration of all three fluid categories—petroleum products (kerosene, gasoline, and heavy oil), water, and steam. Among domestic calibration providers, it offers one of the largest calibration capacities and the broadest flow-rate coverage for petroleum products.

Leveraging these capabilities, the Company helps customers address operational and quality-control challenges through high-quality calibration services across a wide range of fluids and flow rates. It provides calibration and testing services not only for its own flowmeters but also for those manufactured by other companies. Going forward, the Company plans to expand these services further into industries such as automotive manufacturing and pharmaceuticals.

Results trends

Significantly higher profit in FY3/26 driven by profitability improvement initiatives

1. Overview of FY3/26 results

In FY3/26, the global economy remained uncertain due to developments in trade and economic policy in the US, sluggish growth in China, prolonged geopolitical tensions, and other factors. In Japan, moderate improvement in the economy was observed due to the improved hiring environment and a recovery in capital investment, but uncertainty remained over global economic trends, changes in financial policy, and a sense of concern about rising prices due to rising crude oil prices.

Against this backdrop, the Company Group launched the new medium-term management plan "Imagination 2028" this fiscal year and, leveraging the foundation built to date, strove toward further growth. As a result, in the consolidated results for FY3/26, orders received increased 4.1% YoY to ¥15,095mn, net sales rose 3.6% to ¥15,589mn, operating profit grew 19.7% to ¥1,703mn, ordinary profit was up 22.7% to ¥1,771mn, and profit attributable to owners of parent rose 36.0% to ¥1,400mn, resulting in higher sales and significantly increased profit.

While there was a reactionary decline in the systems division after multiple large projects were concentrated in the previous fiscal year, orders received increased due to the strong performance of the sensor division. Net sales increased as the sensor division and service division trended solidly, supported by increased sales to Japan's Ministry of Defense in light of higher defense spending, receipt of a one-time payment under the license agreement with Anton Paar, and price hikes on certain products. The successful implementation of price increases reflects both the competitiveness of the Company's products and an improved ability to pass higher material costs on to customers. Profit at all levels significantly exceeded the Company's initial forecasts, driven by improved sales unit prices, increased profit margin as progress was made in shifting the sales mix toward highly profitable products, and the rise in raw material prices being less than anticipated. The one-time payment from Anton Paar is consideration for an intellectual property license and involves no material costs, which reduced the cost of sales ratio and boosted profits. Furthermore, the growth rate was high for profit attributable to owners of parent, which was due to a reassessment of the recoverability of deferred tax assets and the resulting positive impact of deferred tax adjustments.

Consolidated results for FY3/26

(¥mn)

	FY3/25		FY3/26			YoY		Vs. forecast	
	Result	vs. net sales	Initial forecast	Result	vs. net sales	Change amount	% change	Change amount	% change
Net sales	15,048	-	15,500	15,589	-	540	3.6%	89	0.6%
Cost of sales	8,916	59.2%	-	8,939	57.3%	23	0.3%		
Gross profit	6,132	40.8%	-	6,649	42.7%	517	8.4%	-	-
SG&A expenses	4,710	31.3%	-	4,946	31.7%	236	5.0%	-	-
Operating profit	1,422	9.5%	1,450	1,703	10.9%	280	19.7%	253	17.5%
Ordinary profit	1,444	9.6%	1,530	1,771	11.4%	327	22.7%	241	15.8%
Profit attributable to owners of parent	1,029	6.8%	920	1,400	9.0%	370	36.0%	480	52.2%

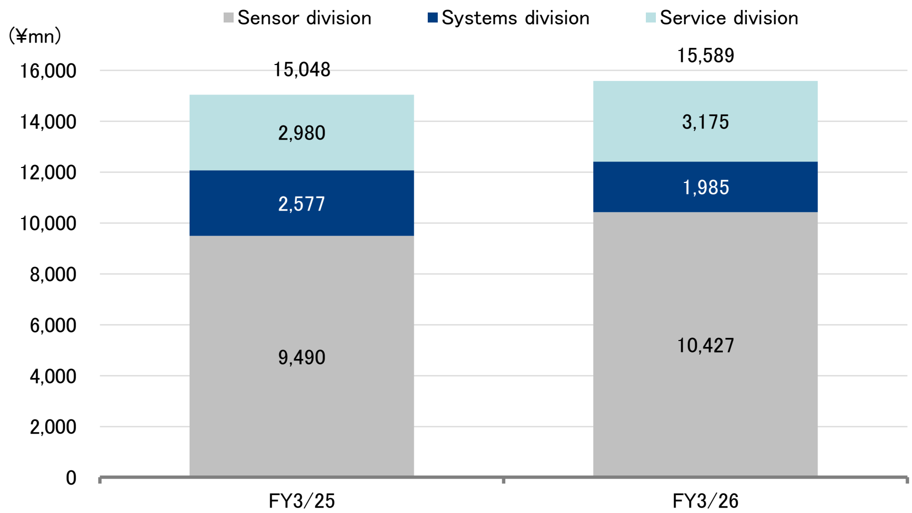
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Looking at results by business division, orders received increased 16.0% YoY to ¥9,759mn in the core sensor division. Domestically, sales to the chemical-related industry trended favorably, and sales to the semiconductor-related industry recovered. Overseas, sales to the shipbuilding-related industry and battery-related industry trended solidly in China. Furthermore, sales increased 9.9% to ¥10,427mn. Similar to orders received, the factors behind the sales growth were solid sales to the chemical-related industry domestically, recovery in flowmeters for the semiconductor-related industry, and overseas, favorable performance of sales to the shipbuilding-related industry in China. In addition, sales were recorded for a one-time payment under the license agreement with Anton Paar.

In the systems division, orders received decreased sharply to ¥2,161mn (down 28.5% YoY). The reaction to the concentration of large-scale projects in the domestic market in the previous fiscal year had a significant impact on this. Furthermore, net sales were down 23.0% to ¥1,985mn. Domestically, net sales were lower than the previous fiscal year in reaction to the concentration of large-scale projects in that year. However, orders received for Ministry of Defense projects increased Company-wide, including in the systems division, and further growth is expected going forward. Overseas, a certain level of sales was recorded due to the progress of large-scale projects at the Singapore subsidiary, but sales fell due to a recent drop in orders received. The systems business had issues with profitability, but it has a competitive advantage in offering comprehensive services centered on flowmeters—including design, construction, testing, maintenance, retrofitting, expansion, and renewal—and has made progress in improving profitability. Note that, because projects in this business span long periods, net sales are recognized based on the percentage-of-completion method of revenue recognition, but the presence of large projects can result in significant year-to-year fluctuations in sales and earnings.

In the service division, orders received were ¥3,174mn (up 3.4% YoY). Orders for maintenance support services and calibration services for third-party products trended solidly, increasing for the sixth consecutive fiscal year. Furthermore, net sales were ¥3,175mn (up 6.6%). Domestically, sales to the chemical-related industry and petroleum-related industry trended solidly. The Company has shifted from reactive to proactive services, leveraging its many years of experience and expertise to calibrate third-party products and offer proposal-driven maintenance services (such as recommending component replacement or upgrades during inspections). Net sales in the service division have continued on an upward trend and are less susceptible to economic fluctuations than the Company's other businesses.

Net sales by business division



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

Continues to ensure a high level of financial soundness

2. Financial position and management indicators

Total assets at the end of FY3/26 were ¥24,711mn, up ¥217mn YoY. Of these, current assets were ¥12,425mn, down ¥1,026mn. This was mainly due to increases of ¥155mn in electronically recorded monetary claims and ¥355mn in contract assets, offset by decreases of ¥320mn in cash and deposits, ¥107mn in notes, ¥753mn in accounts receivable, and ¥388mn in inventories. In addition, non-current assets were ¥12,285mn, up ¥1,244mn. This was mainly due to decreases of ¥91mn in intangible assets, and increases of ¥887mn in property, plant and equipment, ¥300mn in investment securities, and ¥160mn in deferred tax assets.

Total liabilities were ¥8,495mn, up ¥322mn from the end of the previous fiscal year. Of these, current liabilities were ¥4,207mn, down ¥347mn. This was mainly due to an increase of ¥183mn in notes and accounts payable, offset by decreases of ¥52mn in short-term borrowings, ¥158mn in contract liabilities, and ¥246mn in other current liabilities. Non-current liabilities were ¥4,288mn, up ¥670mn. This was mainly attributable to long-term borrowings increasing ¥768mn. The total of both long-term and short-term borrowings was ¥2,335mn, up ¥716mn. Total net assets were ¥16,215mn, down ¥104mn. This was mainly due to a ¥981mn increase in retained earnings, offset by an increase of ¥215mn in treasury stock (decrease factor) and ¥1,515mn decrease in capital surplus.

Due to the cancellation of treasury stock, the equity ratio is 63.7% (down 1.1pp YoY), a high level of financial soundness exceeding the average of 59.5% for the precision instruments industry listed on the Prime, Standard, and Growth Markets in FY3/25, the most recent year for which data is available, which FISCO views positively. At the same time, indicators of profitability such as ROA and ROE were below the industry average of 8.2% and 10.5% respectively, indicating that further profitability enhancement will be an important focus going forward.

Consolidated balance sheets and management indicators

(¥mn)

	End of FY3/25	End of FY3/26	Change
Current assets	13,452	12,425	-1,026
Cash and deposits	4,172	3,852	-320
Notes and accounts receivable - trade, and contract assets, electronically recorded monetary claims - operating	5,342	4,992	-350
Inventories	3,573	3,185	-388
Non-current assets	11,041	12,285	1,244
Property, plant and equipment	8,974	9,862	887
Intangible assets	383	291	-91
Investments and other assets	1,683	2,132	448
Total assets	24,493	24,711	217
Current liabilities	4,554	4,207	-347
Short-term borrowings	1,257	1,205	-52
Non-current liabilities	3,618	4,288	670
Long-term borrowings	361	1,130	768
Total liabilities	8,172	8,495	322
Total borrowings	1,618	2,335	716
Total net assets	16,320	16,215	-104
[Safety]			
Equity ratio	64.8%	63.7%	-1.1pp
Profitability			
ROA (return on assets)	6.0%	7.2%	1.2pp
ROE (return on equity)	6.7%	8.9%	2.2pp

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

Outlook

Expects increased profit in FY3/27, even with higher costs incorporated into forecast

● FY3/27 forecasts

Looking ahead, the global outlook remains uncertain due to persistent global inflation, changes in monetary policy, and uncertainty surrounding U.S. 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 business environment to remain challenging.

Amid these conditions, under its new medium-term management plan, Imagination 2028, the Company Group will focus on developing new markets and products by leveraging the foundation built during the period of the previous medium-term management plan, aiming for further growth across the entire corporate group. Regarding its consolidated forecasts for FY3/27, the Company projects net sales of ¥16,000mn (up 2.6% YoY), operating profit of ¥1,800mn (up 5.7%), ordinary profit of ¥1,900mn (up 7.2%), and profit attributable to owners of parent of ¥1,420mn (up 1.4%). Net sales are expected to increase slightly, remaining at roughly the same level as the previous fiscal year. Furthermore, despite anticipated increases in costs such as raw material costs and personnel expenses, each profit level is expected to increase due to factors such as continued improvement in average selling prices and ongoing improvement in the profitability of the systems division. However, since the Company tends to issue cautious and conservative forecasts at the beginning of the fiscal year, FISCO believes there is a strong possibility that the results will exceed the forecasts.

FY3/27 consolidated forecasts

(¥mn)

	FY3/26		FY3/27		YoY	
	Result	vs. net sales	Forecast	vs. net sales	Change amount	% change
Net sales	15,589	-	16,000	-	416	2.6%
Operating profit	1,703	10.9%	1,800	11.3%	96	5.7%
Ordinary profit	1,771	11.4%	1,900	11.9%	128	7.2%
Profit attributable to owners of parent	1,400	9.0%	1,420	8.9%	19	1.4%

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

Medium- to Long-Term Growth Strategy

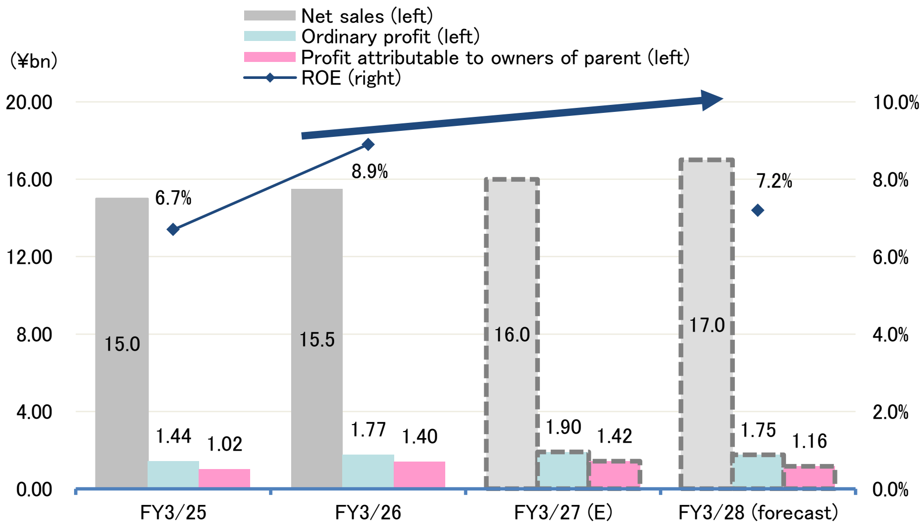
Medium-term management plan progressing steadily toward achieving targets

1. Overview of the 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, with targets of ¥20.0bn in net sales, ordinary profit margin of at least 14.0%, and ROE of at least 10.0% in FY3/32. The ordinary profit margin was revised upward from 10.0% in the initial plan. The previous medium-term management plan, Imagination 2025 (FY3/23 to FY3/25), positioned structural reform as Phase 1, the first step toward achieving the medium- to long-term vision. After 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 targets upward. The Company also successfully executed its growth strategy and initiatives to strengthen the management foundation as planned.

The 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 medium- to long-term vision. The performance targets are 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). However, the effects of various measures have surpassed expectations at the time the plan was formulated. As a result, in FY3/26, the first year of the plan, ordinary profit was ¥1.77bn, profit attributable to owners of parent was ¥1.40bn, and ROE was 8.9%, achieving the targets for these items two years ahead of schedule. With increased sales and profit also expected in FY3/27, FISCO will continue to carefully monitor performance trends and the target achievement status.

Numerical targets of the 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 drive innovation to address social challenges. This strategy has been defined to enhance corporate value. It is composed of (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 build a resilient and trusted management foundation through organizational reforms aligned with changing business and social needs. 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 women in management positions. (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 such, the medium-term management plan is an ambitious plan covering a wide range of initiatives.

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

The specific action plan and results 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 tailored 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 requiring no installation work. 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 often difficult due to cost and construction time, but with the UC-1, flow conditions can be monitored throughout the entire system, allowing users to monitor water usage, which may be expected to 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 updated products by 30% compared to FY3/25 by FY3/28.

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 net sales of products for hydrogen and ammonia measurement by 50% compared to FY3/25, and as a measure to combat global warming, it intends to pursue decarbonization efforts.

As a new initiative, the Company plans to launch a new product, the ALTImassII PLUS, in fall 2026. Based on the ALTImassII Coriolis flowmeter, which is one of its mainstay products, this will improve visibility, operability, and maintainability. This new product will have a high-resolution full dot matrix liquid crystal display with around three times the resolution of previous products, support multiple languages (Japanese, English, and Chinese), and feature improved visibility. From an operational perspective, it will provide intuitive, comfortable operation by combining highly sensitive capacitive touch switches with up/down/left/right keys and four function icons. In terms of maintainability, it will be equipped with a mechanism that allows the screen orientation to be rotated in 90° increments. Furthermore, users will be able to change the settings and check the status remotely from a separate location by using a dedicated smartphone app developed at the same time. It is expected that the new product will contribute to sales.

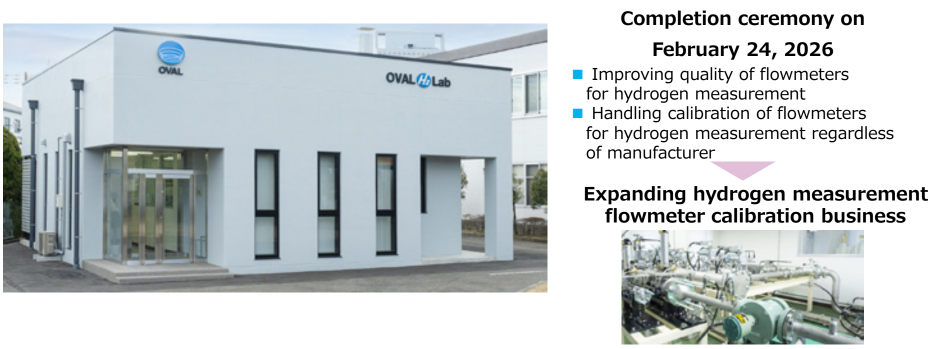
(2) Service business growth strategy

In the service business, with the aim of expanding its hydrogen- and ammonia-related business, the Company has constructed a hydrogen gas calibration facility—one of the few of its kind in Japan—in order to supply highly accurate and reliable hydrogen flowmeters.

Since FY3/24, the Company has been working on plans to construct OVAL H_2 Lab, a hydrogen gas calibration facility for large volume flowmeters used in hydrogen gas measurement. 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. Appropriate calibration plays an essential role in enabling highly accurate, reliable measurement.

In February 2026, the Company completed the hydrogen gas calibration facility, of which there are few in Japan. The new facility has made it possible to improve the quality of flowmeters for hydrogen measurement and handle calibration of flowmeters for hydrogen measurement regardless of the manufacturer. In light of this, the Company has made progress in capturing calibration demand for other companies' products by leveraging its strengths, such as offering highly reliable flowmeter calibration services and having one of the few hydrogen gas calibration facilities for large volume flowmeters in Japan, which is expected to contribute to its results beginning in FY3/27. To contribute to a sustainable society through achieving decarbonization and carbon neutrality as measures to combat global warming, the Company is devoting effort to improving the quality of its hydrogen flowmeters and takes pride in being a leader in this field.

Expanding hydrogen- and ammonia-related business (OVAL H_2 Lab)



Source: The Company's results briefing materials

(3) Systems business growth strategy

In the systems business, the Company provides 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, and the Company is 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 China, South Korea, Taiwan, and especially Singapore.

In the systems business, OVAL ASIA PACIFIC PTE. LTD.—a consolidated subsidiary based in Singapore that serves as the regional hub for the Company's Asian operations —specializes in supplying flow measurement and calibration systems for custody transfer and petroleum trading applications 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 receiving a large-scale systems order from PTSC Asia Pacific in Vietnam in April 2025. 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.

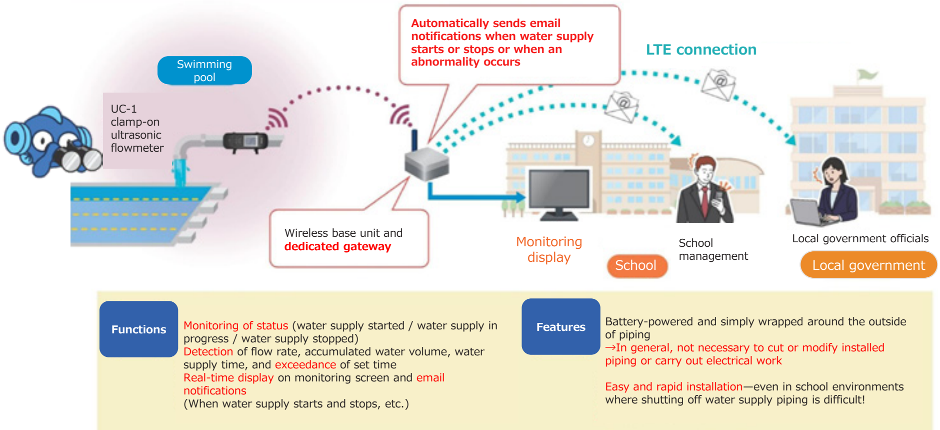
(4) New business creation strategy

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 suppliers and the customers, 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.

The Company has also developed a swimming pool water supply monitoring system. School swimming pools face challenges such as handling the burden of water supply management and preventing water waste caused by forgetting to turn off the water supply. Accordingly, the Company has developed a remote monitoring system using the UC-1 fully installation-free flowmeter (wireless specification) and the Mr. Shoene 920-MHz wireless network, which will allow school personnel and local government officials to easily check water flow rates remotely. This system automatically sends email notifications when water supply starts and stops or when an abnormality occurs. The flowmeter that monitors the flow rate is battery-powered and simply wrapped around the outside of piping, so it is not necessary to cut or modify existing equipment or carry out electrical work. Since it can be installed easily and rapidly even in school environments where it is difficult to shut off water supply piping, the system has already been adopted by multiple schools. Going forward, the Company plans to develop schools as a new market.

Swimming pool water supply monitoring system



Source: The Company's results briefing materials

(5) Productivity improvement strategy

The Company Group is making strategic capital investment with the aim of becoming Asia's No. 1 sensing solutions company. In the Chinese market, flowmeter demand is growing in industries such as lithium-ion batteries, shipbuilding, chemicals, and energy. To meet expanding local demand and quickly supply products tailored to customers' needs, the Group needed to enhance its local production capacity and improve its productivity. To address this, in April 2026, it opened a new plant at its consolidated subsidiary in China, strengthening its local production and local sales capabilities. Sharing responsibilities with the existing plant, it is positioned as a site that will complement production capacity and provide flexible production capabilities, with the aim of ensuring a stable supply system in the Chinese market. At present, there are concerns about the slowdown of the Chinese economy and the deterioration of Japan-China relations, but the Company's business is performing well, and it has outlined the measures it will take should conditions deteriorate in its Business Continuity Plan.

These strategies are key drivers for achieving the management targets set forth in the medium-term management plan. The Company is ambitiously pursuing its growth strategies, and results remain strong as well. FISCO will continue to closely monitor its progress going forward.

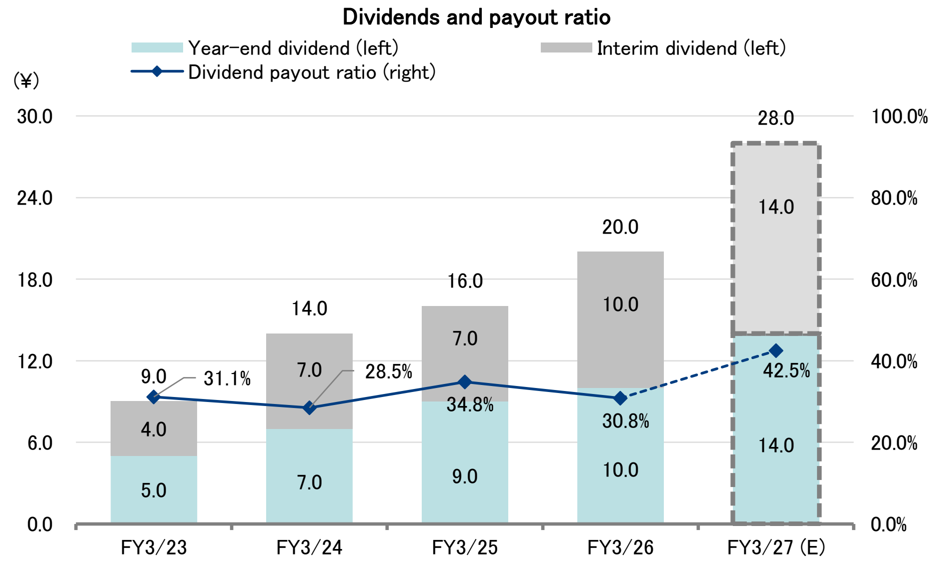
Shareholder return policy

On track to achieve the dividend target in the medium-term management plan one year ahead of schedule in FY3/27

The Company positions dividends as a core component of its shareholder return policy. 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 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 at least 70% (three-year average) and a DOE of at least 2.7%, and its policy is to implement flexible share repurchases in addition to dividends.

Based on its dividend policy, the Company paid record-high dividends in FY3/26 totaling ¥20.0 per share (up ¥4.0 YoY), breaking down into a ¥10.0 interim dividend and ¥10.0 year-end dividend. As a result, the dividend payout ratio was 30.8% (down 4.0pp) and DOE was 2.6% (up 0.4pp). Furthermore, in line with the medium-term management plan, it acquired 2.0mn shares of treasury stock for a total of ¥1,299mn and also cancelled 5.18mn shares of treasury stock at the end of FY3/26. In FY3/27, for the fifth consecutive fiscal year, the Company plans to pay record-high dividends totaling ¥28.0 per share (up ¥8.0), breaking down into a ¥14.0 interim dividend and ¥14.0 year-end dividend. Reflecting the favorable progress of the medium-term management plan, Imagination 2028, it has decided to further enhance shareholder returns and will achieve the dividend target for FY3/28 one year ahead of schedule. The DOE based on this dividend forecast is expected to be around 3.5%. Furthermore, the dividend payout ratio is expected to be around 40.5%, greatly exceeding the 32.5% average for precision instruments industry companies listed on the Prime, Standard, and Growth Markets in FY3/25, which is the latest available data.

While steadily advancing the 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.



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

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