COMPANY RESEARCH AND ANALYSIS REPORT

Fuji Die Co., Ltd.

6167

Tokyo Stock Exchange Prime Market

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Contents

Summary

The Medium-term Management Plan is progressing steadily though profit is expected to decrease in FY3/27 after the significant profit increase in the previous fiscal year

Fuji Die Co., Ltd. <6167> (hereafter, also "the Company") has maintained a domestic market share of over 30% in the carbide wear-resistant tools industry since its founding in 1949. With proprietary powder metallurgy and ultra-precision processing technologies as its strengths, armed with an integrated system covering everything from raw material powder preparation to sintering, ultra-precision processing, and product inspection and its ability to provide made-to-order solutions, the Company has maintained high profitability through a business model based on direct sales of low-volume, high-mix high-value-added products. It has remained profitable since its founding, and its equity ratio at the end of FY3/26 was at an extremely high level of 79.6%.

1. Overview of FY3/26 consolidated results

In FY3/26, consolidated results showed net sales of ¥17,446mn, up 5.1% year on year (YoY); operating profit of ¥822mn, up 68.5%; ordinary profit of ¥883mn, up 46.5%; and profit attributable to owners of parent of ¥573mn, up 34.6%, marking the first increase in both revenue and profit in three fiscal years and exceeding the Company's forecasts for each profit category. Regarding net sales, while there were strengths and weaknesses depending on the product category, performance was generally firm, except for non-carbide products, which decreased 8.9% due to sluggish sales of kneading tools for semiconductor encapsulation materials. Looking at the factors behind the YoY increase or decrease in operating profit, profit decreased ¥455mn due to soaring raw material costs, ¥172mn due to expenses for the expansion of human capital, including wage increases, and ¥88mn due to equipment-related expenses. However, these were covered by factors that increased profit, including an ¥851mn contribution from revenue growth, primarily from carbide materials, a ¥36mn reduction in outsourced processing costs through in-house production, and a ¥183mn decrease in electricity and fuel costs, resulting in a profit increase of ¥334mn.

2. FY3/27 consolidated results forecasts

The Company's forecasts for FY3/27 are for an increase in revenue and a decrease in profit, with net sales of ¥26,000mn, up 49.0% YoY; operating profit of ¥700mn, down 14.9%; ordinary profit of ¥780mn, down 11.7%; and profit attributable to owners of parent of ¥520mn, down 9.3%. The operating profit is forecast to decrease because the significant cost increases from soaring raw material prices cannot be fully offset by passing on costs to customers, improving production efficiency, and reducing expenses. The background to this includes changes in the procurement environment for main raw materials (volume restrictions and price surges) due to the tightening of export controls on critical minerals by China. Although the Company is advancing countermeasures such as utilizing recycled raw materials, improving material utilization efficiency, researching alternative materials, and diversifying procurement sources, developments in these export control measures by China will be a matter of concern that could affect business performance in the short term and will need to be monitored carefully.

3. Medium-term Management Plan

In its Medium-term Management Plan 2026, the Company had set consolidated numerical targets for FY3/27 of ¥20.0bn in net sales, ¥2.0bn in operating profit, ¥2.1bn in ordinary profit, an ordinary profit margin of 10.5%, ¥1.5bn in profit attributable to owners of parent, and 7.0% ROE. However, in response to changes in the business environment, mainly the impact of China tightening export controls and restrictions on critical minerals including tungsten, the Company has revised the net sales target in the Medium-term Management Plan to ¥26,000mn. Meanwhile, the profit targets have been revised to the FY3/27 Company forecasts, with operating profit of ¥700mn, ordinary profit of ¥780mn, and profit attributable to owners of parent of ¥520mn. Nevertheless, progress is being made steadily on the five priority measures: “strengthen the management foundation,” “increasing productivity and improving business efficiency,” “leaping forward in overseas business,” “contributing to a zero carbon / recycling-based society,” and “development of new business.”

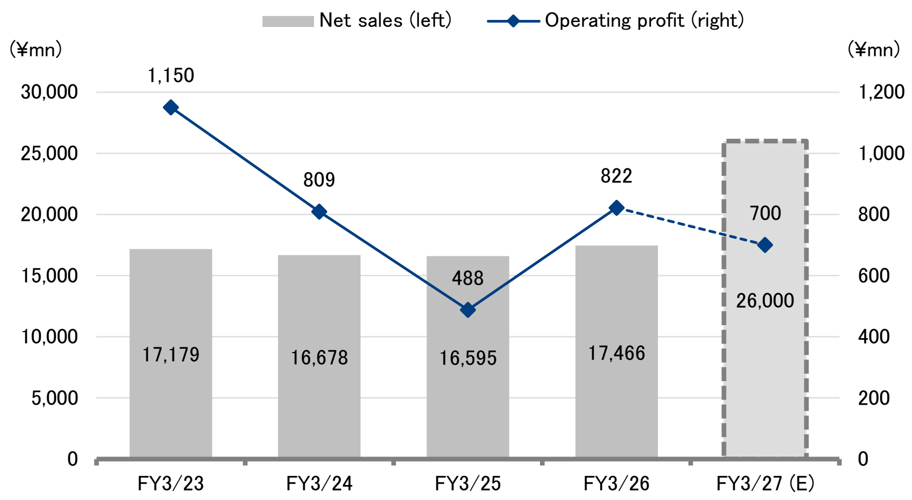
4. Shareholder return policy

The previous dividend policy was based on a consolidated dividend payout ratio of 50%, but in the Medium-term Management Plan 2026, the Company is working on shareholder returns through a stable dividend targeting a DOE of 4% and the proactive and flexible acquisition of treasury shares. In accordance with this policy, the dividend per share for FY3/26 was ¥40.0, the same as in the previous fiscal year (a dividend level exceeding profit), and the Company also implemented a flexible acquisition of treasury shares. For the following FY3/27 as well, despite the forecast of a profit decrease, the Company plans to continue with a dividend per share of ¥40.0.

Key Points

- In FY3/26, revenue and profit increased for the first time in three fiscal years, with operating profit achieving a large 68.5% increase
- For FY3/27, an increase in revenue and a decrease in profit are forecast due to soaring raw material prices, with the tightening of export controls by China being a matter of concern
- Although the numerical targets in the Medium-term Management Plan were revised, the priority measures are progressing steadily
- In terms of shareholder returns, in addition to a stable dividend targeting a DOE of 4%, the Company implemented a flexible acquisition of treasury shares

Results trends



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

Company profile

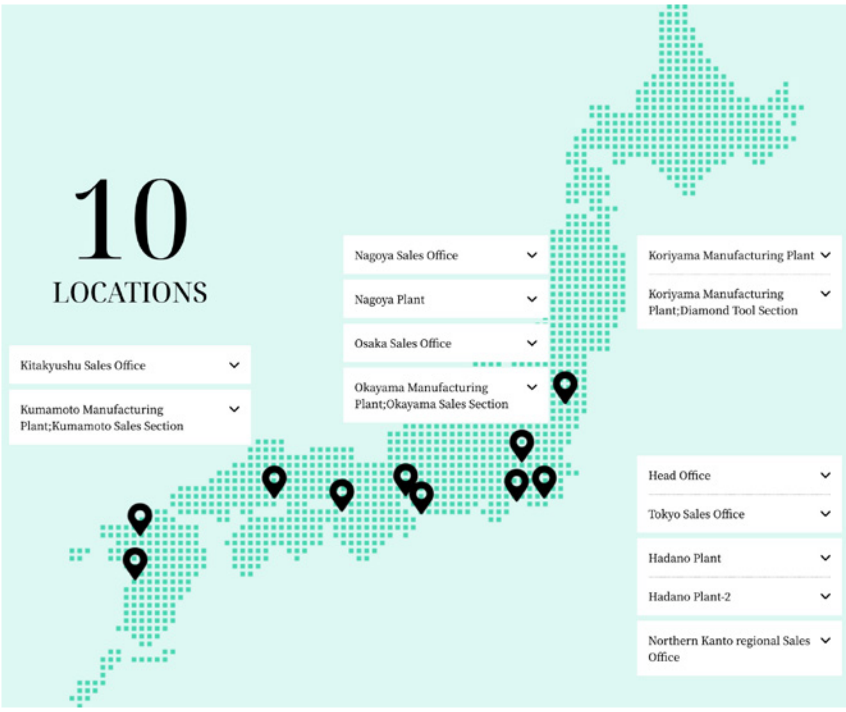
Strengths of the Company are its development and technological capabilities, integrated production system, and direct sales of custom-made products

1. Company profile

The Company's main business is the manufacture and sale of wear-resistant tools and molds that use cemented carbide, which has a hardness second only to diamond. With proprietary powder metallurgy and ultra-precision processing technologies as its strengths, the Company has maintained a leading share of over 30% in the domestic market over a long period. In addition to its development and technological capabilities, the Company has established an integrated production system covering everything from raw material powder preparation to sintering, ultra-precision processing, and product inspection. Its strength lies in providing custom-made products tailored to customers' production processes through direct sales. In doing so, the Company provides high value-added products through low-volume, high-mix production, differentiating itself from competitors that mainly focus on material sales. The Company has a customer base of approximately 3,000 companies spanning a wide range of industries, including automobiles, iron and steel, electronic components, and can manufacturing. Another strength is its ability to diversify the risk of economic fluctuations in specific industries. It has continued to operate in the black since its founding, and its equity ratio at the end of FY3/26 was also high at 79.6%, indicating strong financial soundness.

The Group consists of the Company and seven subsidiaries (two domestic corporations and five overseas corporations). As of the end of FY3/26, in Japan, the Company has production bases in Koriyama, Hadano, Nagoya, Okayama, and Kumamoto, as well as 10 sales offices. Overseas, it has production and sales bases in Thailand and Indonesia, and sales bases in China, Malaysia, and India (dormant at the end of the fiscal year, resumed business on April 1, 2026). Approximately 100 sales representatives are assigned to these sales bases. By visiting customers directly and communicating with them, the Company strives to understand customer needs.

List of domestic business offices



Source: The Company's website

2. History

The Company's founding dates back to June 1949, when its founder, Takayoshi Shinjo, established Fuji Die Works in Tobata City, Fukuoka Prefecture, for the purpose of processing wear-resistant tools. In December 1953, the Tokyo Plant (currently the head office) was constructed in Shimomaruko, Ota-ku, Tokyo, and full-scale manufacturing of carbide wear-resistant tools began around this time. In April 1956, the Company adopted its current trade name, and in March 1957, it relocated its head office to Shimomaruko, Ota-ku, Tokyo. Subsequently, the Company proceeded to develop its domestic plants and sales bases, and since the 2000s, it has expanded its bases overseas, including to China, Thailand, Indonesia, Malaysia, and India. After listing its shares on the Second Section of the Tokyo Stock Exchange (TSE) in June 2015, the Company changed its market to the First Section of the TSE in April 2017. In April 2022, the Company moved from the First Section to the Prime Market following the TSE's restructuring of its market segments.

History

Month Year	Overview
June 1949	Founder Takayoshi Shinjo established Fuji Die Works in Tobata City, Fukuoka Prefecture, for the purpose of processing wear-resistant tools
December 1953	Constructed the Tokyo Plant (currently the head office) in Shimomaruko, Ota-ku, Tokyo, and began full-scale manufacturing of carbide wear-resistant tools around this time
April 1956	Reorganized into Fuji Die Co., Ltd. (capital: ¥500,000; head office (currently in Kitakyushu City, Fukuoka Prefecture))
March 1957	Relocated the head office to Shimomaruko, Ota-ku, Tokyo
January 2000	Opened the Penang Representative Office in Penang, Malaysia (currently a local subsidiary), marking the start of full-scale overseas expansion
January 2001	Opened the Shanghai Representative Office in Shanghai, China
November 2003	Established FUJILLOY (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Chachoengsao Province, Thailand
December 2004	Incorporated the Shanghai Representative Office to form FUJI DIE TRADING (SHANGHAI) CO., LTD. (currently a consolidated subsidiary)
December 2007	Acquired shares of Shinwa Die Co., Ltd. and Fuji Shaft Co., Ltd., making both companies wholly owned subsidiaries
May 2010	Established PT. FUJILLOY INDONESIA (currently a consolidated subsidiary) in Karawang, West Java, Republic of Indonesia
March 2012	Constructed a new plant in Chonburi, Thailand, and relocated FUJILLOY (THAILAND) CO., LTD. (currently a consolidated subsidiary) from Chachoengsao Province
October 2012	Established FUJILLOY INDIA PRIVATE LIMITED (currently a consolidated subsidiary) in Haryana, Republic of India
December 2012	Incorporated the Penang Representative Office to form FUJILLOY MALAYSIA SDN. BHD. (currently a consolidated subsidiary)
October 2014	Constructed and relocated PT. FUJILLOY INDONESIA's new plant to KIM Industrial Estate (Mitra Karawang Industrial Estate)
June 2015	Listed shares on the Second Section of the Tokyo Stock Exchange (TSE)
April 2017	Changed market to the First Section of the TSE
April 2022	Moved to the Prime Market from the First Section following the TSE's market segment review
March 2024	Opened the Dongguan Branch of FUJI DIE TRADING (SHANGHAI) CO., LTD. in Dongguan City, Guangdong Province, China
June 2025	Transitioned to a company with an Audit and Supervisory Committee

Source: Prepared by FISCO from the securities report

Business overview

Specializing in wear-resistant tools made from cemented carbide, supporting a wide range of industries

Cemented carbide is an alloy made by a method in which hard metal carbides, represented by tungsten carbide, and iron-group metals such as cobalt are mixed in powder form, placed into a mold to be shaped, and fired at high temperatures to harden (powder metallurgy method). It has a high hardness second only to diamond and excellent wear resistance. It is widely used mainly in tools and molds used for plastic working of metals (which does not produce chips). Some are also sold as cemented carbide tips, which are intermediate products.

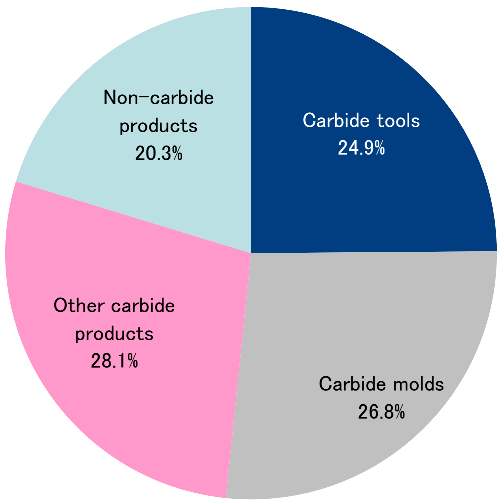
Because the Group specializes in wear-resistant tools made from cemented carbide, its reporting segment is a single segment for the wear-resistant tool-related business. However, it discloses its net sales by product category.

1. Classification by product category

The Company Group's products using cemented carbide are classified into three categories: carbide tools, carbide molds, and other carbide products. They are used in a wide range of fields, including transportation machinery, iron and steel, non-ferrous metals, metal products represented by beverage cans, electrical machinery and electronic components, and production and commercial machinery. Additionally, by leveraging the processing and inspection technologies cultivated through precision machining of cemented carbide, the Company also manufactures and sells wear-resistant tools using materials other than cemented carbide (such as steel and ceramics), and these are classified under the non-carbide products category.

In FY3/26, the sales composition ratio by product category was 24.9% for carbide tools, 26.8% for carbide molds, 28.1% for other carbide products, and 20.3% for non-carbide products. Among these, carbide tools, carbide molds, and other carbide products are the main products, and a notable feature is that their sales mix is nearly balanced.

Sales composition ratio by product category (FY3/26)



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

2. Overview of main products

(1) Dies and plugs

The main products in the carbide tools category are dies and plugs. A die is a mold with a conical hole (die hole) through which material is passed. Passing material through this hole reduces it to the desired outer diameter and shapes its cross-section. A plug is a mold used mainly in pipe drawing processes, where it is inserted inside the pipe. By applying pressure from the inside, it precisely finishes the inner diameter and maintains a uniform wall thickness. In other words, the tool that determines the outer diameter is called a die, and the tool that determines the inner diameter is called a plug. These tools are used to produce wire rods and pipes in a wide range of industries, including iron and steel, non-ferrous metals, automobiles, and electrical machinery and electronic components. Dies and plugs using cemented carbide have been the Group's main products since its founding, and dies, in particular, are the origin of the Company name.

(2) Molds for automotive parts production

A mold for automotive parts production is a main product in the carbide molds category. It is a wear-resistant tool used as a mold for forming and processing materials such as metal and plastic into automobile parts. Many molds for automobile parts use cemented carbide, which offers high precision, high strength, and wear resistance. Parts for engines, transmissions, suspensions, steering, safety device components, and clean energy systems incorporated into fuel cell vehicles, among others, are manufactured using these wear-resistant tools.

(3) Can manufacturing tools

A can manufacturing tool is a main product in the carbide molds category. It is a wear-resistant tool used as a mold for accurately bending materials or making holes during the can manufacturing process, which involves cutting, bending, and welding metal plates to create three-dimensional structures. Products made with these tools include beverage cans, food cans, spray cans, and 18-liter square cans. In particular, beverage cans used for low-alcohol beverages such as beer and for coffee have very high production volumes, where the yield from raw materials and product accuracy are critical, and high precision and wear resistance are required. For these reasons, cemented carbide can manufacturing tools are frequently used.

(4) Cemented carbide tip

A cemented carbide tip is a main product in the other carbide products category. It is made by sintering raw materials in the form of round bars, plates, or near-net shapes to form cemented carbide, and they serve as the material for plastic working tools and molds. Cemented carbide tips are products that a relatively high overseas sales ratio within the Group.

(5) Steel product

A steel product is a main product in the non-carbide products category. Leveraging the high-level processing and inspection technologies the Company has cultivated through precision machining of cemented carbide, it provides steel tool products in fields of use that overlap with those of cemented carbide wear-resistant tools. At each stage of a customer's production line, the required performance of tools, such as wear resistance, impact resistance, and cost, generally differs depending on the usage environment, workpiece material, processing method, etc. Both cemented carbide and steel materials are used selectively depending on the required tool performance.

Applications of main products by product category

Product category	Main products	Specific application examples
Carbide tools	Dies and plugs	Tools for the production of wire rods and pipes
	Grooved plugs	Tools for the production of heat exchanger pipes
	Hot rolling mill rolls	Tools for the production of steel materials
	Cold forming rolls	Tools for the production of building materials and pipes
	Tools for ultra high pressure generator	Tools for the production of synthetic diamonds, cBN, etc.
	Kneading tools	Tools for the production of resins, ceramics, etc.
	Cutting tools	Blades for cutting steel plates, films, foil, etc.
Carbide molds	Molds for automotive parts production	Molds for the production of engine, drive system, steering system, and safety device parts
	Can manufacturing tools	Molds for the production of beverage cans and food cans
	Battery-related molds	Molds for the production of battery cases and battery components, and molds for automotive batteries
	Molds parts for optical elements	Molds for the production of glass lenses
	Powder forming molds	Molds for the production of magnets and sintered parts
	Molds for semiconductors and electronic components	Molds for the production of encapsulation materials
Other carbide products	Various parts	Various device components
	Cemented carbide tips	Materials for various molds, tools, and blades
Non-carbide products	Steel products	Molds for the production of beverage cans, engine parts, etc.
	Ceramic products	Machine tools and jigs/tools
	FHR products	Heat-resistant components and casting components
	KF2 products	Tools and jigs/tools for the production of resin, etc.
	Copper tungsten alloy	Electrodes for electrical discharge machining
	Electrodeposited tools	Grinding wheels for processing hard materials
	Solid lubricant composite materials (NF metal)	Bearings for vacuum deposition equipment and special environment bearings
	Drawn steel pipes	Materials for bearings and bicycle parts

Source: Prepared by FISCO from the securities report

Results trends

In FY3/26, revenue and profit increased for the first time in three fiscal years, with operating profit achieving a large 68.5% increase

1. Overview of FY3/26 consolidated results

In FY3/26, consolidated results showed net sales of ¥17,446mn, up 5.1% YoY; operating profit of ¥822mn, up 68.5%; ordinary profit of ¥883mn, up 46.5%; and profit attributable to owners of parent of ¥573mn, up 34.6%, marking the first increase in both revenue and profit in three fiscal years and exceeding the Company's forecasts for each profit category.

FY3/26 consolidated results

(¥mn)

	FY3/25		FY3/26			YoY	vs. forecasts
	Results	% of net sales	Company forecasts	Results	% of net sales		
Net sales	16,595	-	17,670	17,446	-	5.1%	-1.3%
Cost of sales	12,463	75.1%		12,828	73.5%	2.9%	
Gross profit	4,131	24.9%		4,617	26.5%	11.8%	
SG&A expenses	3,643	22.0%		3,795	21.8%	4.2%	
Operating profit	488	2.9%	600	822	4.7%	68.5%	37.0%
Ordinary profit	603	3.6%	700	883	5.1%	46.5%	26.1%
Profit attributable to owners of parent	426	2.6%	460	573	3.3%	34.6%	24.6%

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

Regarding net sales, while there were strengths and weaknesses depending on the product category, performance was generally firm, aside from non-carbide products. Carbide tools (net sales: ¥4,340mn, up 3.7% YoY) saw increased sales, driven by strong sales of tools for high-pressure equipment related to synthetic diamond manufacturing, new material development, and research into the Earth's internal environment, as well as cold rolling-related tools for the iron and steel sector. Carbide molds (net sales: ¥4,669mn, up 9.4%) saw an increase in revenue following on from the previous fiscal year, as the strong performance of can manufacturing tools and battery-related molds continued, along with robust sales of motor core molds for electric vehicles (EVs) and hybrid vehicles. Other carbide products (net sales: ¥4,897mn, up 15.0%) saw an increase in revenue continuing from the previous fiscal year because, while demand for semiconductor production equipment, which was strong in the previous fiscal year, leveled off, sales of carbide materials for overseas markets increased due to the success of efforts such as cultivating new customers using the newly established Dongguan base in China as a foothold. Furthermore, the extent of the revenue increase was large, making a significant contribution to overall performance. Meanwhile, non-carbide products (net sales: ¥3,540mn, down 8.9%) saw a decrease in revenue due to sluggish sales of kneading tools for semiconductor encapsulation materials, among other factors. As a result of these factors, while the Company achieved an increase in overall revenue, it was 1.3% short of the Company's forecast of ¥17,670mn.

Net sales by product category (consolidated)

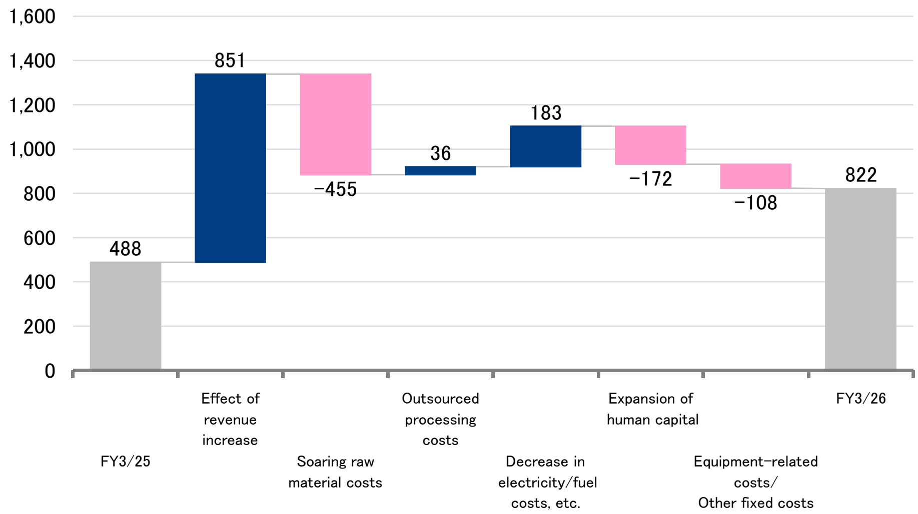
(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	YoY	
						Change	Rate of change
Total net sales	16,874	17,179	16,678	16,595	17,446	851	5.1%
Carbide tools	4,344	4,571	4,788	4,183	4,340	157	3.7%
Carbide molds	3,984	4,219	3,920	4,268	4,669	401	9.4%
Other carbide products	4,256	4,261	4,004	4,257	4,897	640	15.0%
Non-carbide products	4,228	4,127	3,964	3,886	3,540	-346	-8.9%

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

Looking at the factors behind the YoY increase or decrease in operating profit, profit decreased ¥455mn due to soaring raw material costs, ¥172mn due to expenses for the expansion of human capital, including wage increases, and ¥88mn due to equipment-related expenses. However, these were covered by factors that increased profit, including an ¥851mn contribution from revenue growth, primarily from carbide materials, a ¥36mn reduction in outsourced processing costs through in-house production, and a ¥183mn decrease in electricity and fuel costs, resulting in a profit increase of ¥334mn. In comparison to the Company's forecasts, while the shortfall in net sales had a negative impact of ¥224mn, and soaring raw material costs had a negative impact of ¥90mn, these were offset by positive factors including a ¥106mn reduction in outsourced processing costs, a ¥139mn decrease in travel and transportation expenses, and a ¥233mn reduction in personnel expenses due to staffing levels not reaching the plan. As a result, the result exceeded the Company's forecast of ¥600mn by 37.1%. Regarding ordinary profit, although foreign exchange gains increased under non-operating profit, the growth rate was lower than that of operating profit due to the absence of the subsidy income related to the construction of the new metallurgy building at the Kumamoto Manufacturing Plant that was recorded in the previous fiscal year and fees incurred for the acquisition of treasury shares.

Factors behind YoY change in operating profit



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

2. Conditions by customer industry category

Looking at the trends in net sales by customer industry category (non-consolidated basis) for FY3/26, in transportation machinery, while motor core molds performed strongly, sales to some customers for overseas markets shifted to local procurement, and together with a reactionary decline from the previous fiscal year, net sales came to ¥2.82bn (target achievement rate: 97%). For iron and steel, in addition to a reactionary decline from the previous fiscal year in hot rolling mill rolls for overseas markets, domestic performance was also sluggish, with sales remaining at ¥2.36bn (target achievement rate: 86%). For non-ferrous metals and metal products, can manufacturing tools performed strongly, supported by replenishment for additional production lines at specific customers and the mass production deployment of developed products. Grooving plugs also performed strongly alongside increased air conditioner production driven by demand associated with Japan's 2027 refrigerant transition. Net sales came to ¥2.10bn (target achievement rate: 97%). In production and commercial machinery, high-pressure equipment-related sales increased due to the shortened lifespan of molds at specific customers. However, this was offset by a significant decrease in semiconductor production equipment-related sales due to inventory adjustments by customers and a decrease in optics-related volumes, resulting in net sales of ¥1.93bn (target achievement rate: 91%). In electrical machinery and electronic components, sales for semiconductor encapsulation materials decreased as high-volume segments such as power semiconductors were sluggish. For batteries, sales for automotive batteries decreased, but this was outweighed by an increase in sales for storage batteries used in data centers and other applications, resulting in net sales of ¥1.70bn (target achievement rate: 110%). For materials for mold parts and tools, although sales for EV-related applications did not increase, sales of carbide materials for overseas markets (mainly China) remained strong, reaching ¥3.38bn (target achievement rate: 121%).

3. Financial position, management indicators, and cash flows

Regarding the financial position at the end of FY3/26, total assets increased ¥80mn YoY to ¥25,684mn. This was because the ¥161mn increase in current assets exceeded the ¥80mn decrease in non-current assets. Looking at the main breakdown of changes, within current assets, while securities decreased ¥1,000mn, raw materials and supplies increased ¥546mn, accounts receivable-trade increased ¥344mn, and work in process increased ¥158mn. Within non-current assets, while machinery, equipment and vehicles (net) increased ¥94mn, investment securities increased ¥72mn, and construction in progress increased ¥64mn, buildings and structures (net) decreased ¥302mn. Total liabilities increased ¥383mn to ¥5,239mn. This was because the ¥490mn increase in current liabilities exceeded the ¥106mn decrease in non-current liabilities. Looking at the main breakdown of changes, within current liabilities, while notes and accounts payable-trade decreased ¥927mn, electronically recorded obligations increased ¥1,388mn. Within non-current liabilities, liability for retirement benefits mainly decreased ¥103mn. Total net assets decreased ¥302mn to ¥20,445mn, mainly due to the payment of dividends and the acquisition of treasury shares.

Among the safety indicators for FY3/26, the equity ratio decreased slightly to 79.6% from 81.0% at the end of the previous fiscal year, but financial soundness remains high. Furthermore, the current ratio was also at a favorable level of 387.9%, and the Company continues its de facto debt-free management, with cash and deposits exceeding interest-bearing debt. Regarding profitability indicators, while there remains room for improvement with ROA at 3.4% and ROE at 2.8%, the operating profit margin on net sales was 4.7%, which can be considered a reasonable level for a manufacturing company.

Looking at cash flows for FY3/26, cash flows from operating activities amounted to an inflow of ¥1,159mn. This was mainly due to an increase in inventories of ¥682mn and a decrease in accounts payable-other of ¥463mn, which were factors reducing cash flow, while profit before income taxes of ¥885mn, depreciation of ¥1,074mn, and an increase in trade payables of ¥464mn were factors increasing cash flow. Cash flows from investing activities amounted to an outflow of ¥723mn. This was mainly due to a net increase in time deposits of ¥187mn and an expenditure of ¥829mn resulting from the acquisition of tangible non-current assets, which were factors reducing cash flow. Cash flows from financing activities amounted to an outflow of ¥1,126mn, largely due to the impact of the ¥310mn expenditure for the acquisition of treasury shares and the ¥794mn payment of dividends.

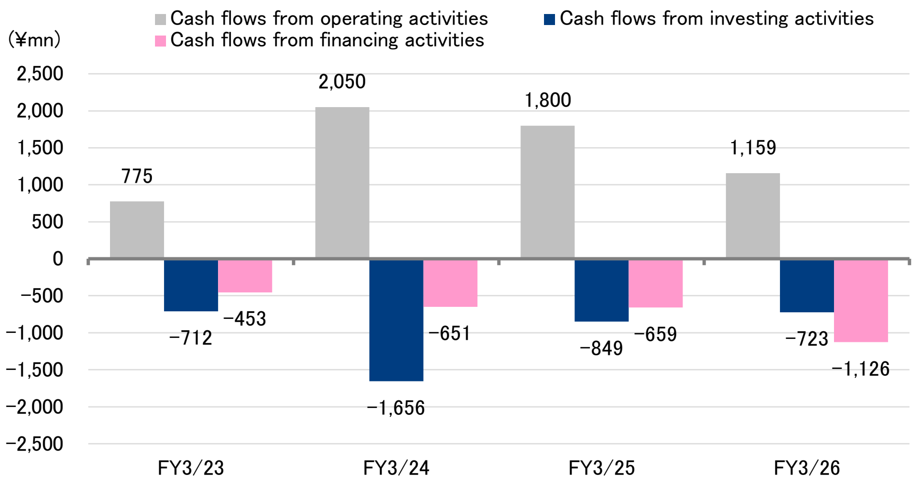
Consolidated balance sheet and key management indicators

(¥mn)

	FY3/23	FY3/24	FY3/25	FY3/26	Change
Current assets	15,724	15,024	14,909	15,070	161
Cash and deposits	6,572	6,381	6,945	7,130	185
Non-current assets	10,528	11,114	10,694	10,613	-80
Total assets	26,253	26,138	25,603	25,684	80
Current liabilities	4,197	3,871	3,395	3,885	490
Non-current liabilities	1,662	1,619	1,460	1,353	-106
Total liabilities	5,860	5,491	4,855	5,239	383
(Interest-bearing debt)	87	99	68	54	-14
Total net assets	20,392	20,647	20,748	20,445	-302
<Profitability>					
ROA	4.7%	3.4%	2.3%	3.4%	1.1pp
ROE	6.5%	3.5%	2.1%	2.8%	0.7pp
Operating profit margin on net sales	6.7%	4.9%	2.9%	4.7%	1.8pp
<Safety>					
Equity ratio	77.7%	79.0%	81.0%	79.6%	-1.4pp
Current ratio	374.6%	388.1%	439.1%	387.9%	-51.2pp

Note: Interest-bearing debt includes lease obligations
Source: Prepared by FISCO from the Company's financial results

Cash flow status



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

Outlook

For FY3/27, the impact of soaring raw material prices is significant; an increase in revenue but a decrease in profit is forecast

1. FY3/27 consolidated results forecasts

The Company's forecasts for FY3/27 are for an increase in revenue and a decrease in profit, with net sales of ¥26,000mn, up 49.0% YoY; operating profit of ¥700mn, down 14.9%; ordinary profit of ¥780mn, down 11.7%; and profit attributable to owners of parent of ¥520mn, down 9.3%.

FY3/27 consolidated results forecasts

(¥mn)

	FY3/26			FY3/27 (E)			YoY
	1H	Full year	% of net sales	1H	Full year	% of net sales	
Net sales	8,417	17,446	-	12,000	26,000	-	49.0%
Operating profit	322	822	4.7%	390	700	2.7%	-14.9%
Ordinary profit	306	883	5.1%	420	780	3.0%	-11.7%
Profit attributable to owners of parent	196	573	3.3%	280	520	2.0%	-9.3%

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

The Company's net sales forecast for FY3/27 is ¥12,000mn for 1H, up 42.6% from the same period of the previous fiscal year, and ¥26,000mn for the full year, up 49.0% from the previous fiscal year, due to price revisions resulting from passing on soaring raw material costs.

Regarding the Company's operating profit forecast for FY3/27, expecting the impact of soaring material costs and a decrease in sales volume due to price revisions, it is ¥390mn for 1H, up 21.0% from the same period of the previous fiscal year, and ¥700mn for the full year, down 14.9% from the previous fiscal year. Looking at the full year, the significant cost increase from soaring raw material prices cannot be fully covered by passing on costs to customers, improving production efficiency, and reducing expenses, resulting in a profit decrease forecast. Meanwhile, the background to the profit increase in 1H is seen to be largely influenced by the reduction in low-priced inventory held before raw material prices rose significantly, and it is inferred that this inventory effect is supporting current profits.

Regarding the FY3/27 net sales forecast on a non-consolidated basis by major industry, for transportation machinery, the Company expects a level similar to the previous fiscal year, centering on the launch of new models by automakers and sales for hybrid vehicles. For iron and steel, while domestic results are expected to be at the same level as the previous fiscal year or slightly decreased, hot rolling mill rolls for overseas markets are expected to see an increase in orders, representing a rebound from the previous fiscal year. For non-ferrous metals and metal products, both air conditioning-related tools and molds and can manufacturing tools are expected to be at the same level as the previous fiscal year or to decrease slightly. In production and commercial machinery, while semiconductor production equipment-related sales are expected to remain sluggish, optics-related and high-pressure equipment-related sales are expected to show steady performance. For electrical machinery and electronic components, while a recovery in semiconductor encapsulation materials is assumed from 2H onward, demand for batteries is expected to increase for automotive and data center applications. Regarding materials for mold parts and tools, the outlook is difficult to formulate, as it is highly likely to be affected by trends in the supply and demand situation for tungsten and by price revisions, as evidenced by the continued postponement of orders for copper tungsten due to delays in raw material procurement.

The Company states that the FY3/27 forecasts contain significant uncertainties, such as the impact of fluctuations in tungsten prices and passing on costs to customers, and therefore may change. If a change occurs, the Company will make timely and appropriate disclosures based on the timely disclosure rules.

2. Raw material procurement status

The largest current business risk is that China is tightening export controls and restrictions, positioning critical minerals including tungsten as vital strategic resources for both military and civilian use (dual-use), and imports from China have effectively stopped. Under these circumstances, the price of ammonium paratungstate (APT), a primary raw material in particular, has been moving in a high range, centering on the 3,000 USD/10kg level, from an average of 854 USD/10kg in FY3/26, against the backdrop of tightening supply. This is a strong factor putting pressure (concern) on future production and earnings from both the volume and price aspects.

The Company is also procuring from domestic suppliers and overseas suppliers other than China, but supply volumes from domestic suppliers also tend to be squeezed, such as being limited to 70–80% of previous levels. For this reason, the Company is promoting countermeasures such as improving material utilization efficiency, researching alternative materials, and diversifying procurement sources. Furthermore, from October 2025, the Company started a recycling business for cemented carbide wear-resistant tools and molds, aiming to reduce raw material procurement risk by establishing a scheme to reuse scrap as raw material. The Company aims to cover approximately 10% of the raw materials used in its own products on a weight basis using recycled raw materials in FY3/27.

Also, in response to such severe changes in the environment, in June 2026, the Company announced the conclusion of a business alliance agreement with DIJET INDUSTRIAL CO., LTD. The purpose of this alliance is to expand sales of alloys with reduced tungsten and cobalt usage, both of which are critical minerals. Specifically, the two companies will leverage each other's sales networks to expand sales channels for the low-tungsten, low-cobalt alloys that each has developed. As a first step, the Company will sell Cermetal, provided by DIJET INDUSTRIAL, to customers as a material, or after processing, as tools and molds. Also, the Company plans to proceed with studies aimed at expanding sales of its own STN30 using the sales networks of both companies. In addition to responding to procurement risks for critical minerals, this alliance could lead to the expansion of medium- to long-term earnings opportunities by capturing demand for alternative materials against the backdrop of heightened resource procurement risk and through the cultivation of new customers and the creation of sales opportunities.

Medium-term Management Plan

Although the targets in the Medium-term Management Plan were revised, priority measures are progressing steadily

1. Overview of the Medium-term Management Plan

The Company's Medium-term Management Plan 2026 (FY3/25–FY3/27) targets both the transformation of its company structure and the strengthening of growth areas in order for the Company to make the transition to its next stage of growth, based on the achievements and challenges of the previous Medium-term Management Plan (FY3/22–FY3/24). Also, the five core priority measures are: "strengthen the management foundation," "increasing productivity and improving business efficiency," "leaping forward in overseas business," "contributing to a zero carbon / recycling-based society," and "development of new business." These are not simply a list of measures, but are designed as an organic framework for realizing the sustainable growth of the Company as a whole.

The Company had set consolidated numerical targets for FY3/27 of ¥20.0bn in net sales, ¥2.0bn in operating profit, ¥2.1bn in ordinary profit, an ordinary profit margin of 10.5%, ¥1.5bn in profit attributable to owners of parent, and 7.0% ROE. However, in response to changes in the business environment, the Company has revised the net sales target in the Medium-term Management Plan to ¥26,000mn, while the profit targets have been revised to the FY3/27 Company forecasts, with operating profit of ¥700mn, ordinary profit of ¥780mn, and profit attributable to owners of parent of ¥520mn.

2. Overview and progress of key measures

Regarding the Medium-term Management Plan, while profit targets were forced to be revised downward, the five priority measures are progressing steadily.

(1) Strengthen the management foundation

"Strengthen the management foundation" is the basis that supports the entire Medium-term Management Plan. It involves initiatives to rebuild the Company's core functions, including sustainability, quality assurance, brand strategy, human resource development, and corporate governance. As the complexity of corporate management increases in line with business scale expansion and the progression of overseas business development, the Company aims to expedite management decision-making and improve precision.

In terms of progress, the Company revised its Group Corporate Philosophy in July 2025, redefining its raison d'être from a "carbide wear-resistant tools manufacturer" to the broader definition of "a company that offers inspiring experiences in the world." This is not merely a change of slogan, but is increasingly functioning as a compass that will give direction to the Company's future business portfolio, including overseas business expansion, forays into new technological areas, and the restructuring of its human resources portfolio.

For governance, the Company is making steady progress on strengthening its organizational system, including the transition to a company with an Audit and Supervisory Committee and the establishment of a Quality Assurance Division.

Furthermore, in March 2026, the Company introduced and started operating a new workflow system to promote business efficiency. From June 24, 2026, the Company also transitioned to a two-person representative director structure with a chairman and president, aiming to improve the quality and speed of management decisions while dividing roles between the two.

(2) Increasing productivity and improving business efficiency

"Increasing productivity and improving business efficiency" is a measure to integrate the Company's core technologies that it has accumulated over many years, such as powder metallurgy and ultra-precision processing technologies, with the latest production technologies, and to upgrade the production system into a highly automated, capital-intensive system. The Company will endeavor to simultaneously achieve both high-precision processing and cost reductions through automation investments at each plant, the optimization of processing lines, the sophisticated use of CAD/CAM, and other means, aiming to raise the level of its profitability.

Investments have been completed for all automation investment projects (valued at ¥160mn), and the measures for increasing productivity and improving business efficiency are progressing almost as planned. As specific labor-saving initiatives, at the Kumamoto Manufacturing Plant, an automated robot was introduced for polishing work, commencing full-scale operation from November 2025. In addition, an industrial robot was additionally introduced for the forming machine in the metallurgy process, starting full-scale operation from January 2026. At the Hadano Plant, an automated robot was introduced for grinding work, commencing full-scale operation from February 2026. At the Okayama Manufacturing Plant, the automatic floor cleaning robot introduced from May 2025 was rolled out to other bases from February 2026. Additionally, the automatic brazing device for the plug manufacturing process, which began full-scale operation at the Hadano Plant from January 2026, is expected not only to improve productivity but also to stabilize quality. Also, aside from automation, the production volume of binderless alloys, which are in high demand, doubled in a short period through reviews of production processes and sintering conditions and improvements to jigs and tools, indicating progress in the streamlining of overall processes. As an initiative for FY3/27, the Company plans to introduce a 100-ton automatic press robot at the Koriyama Manufacturing Plant in August 2026 to automate the process of filling material powder, press-forming, and removing and aligning the finished products.

(3) Leaping forward in overseas business

"Leaping forward in overseas business" is the theme with the highest growth potential in the Medium-term Management Plan, and the Company has set a target to raise its overseas sales ratio to 25% or higher in FY3/27. Through the measures taken so far, the overseas sales ratio for FY3/26 rose 3.2 percentage points (pp) to 22.7% from 19.5% in FY3/25, indicating steady progress toward the target of 25% or higher.

In China, the Company successfully acquired new customers by working to raise its profile through exhibiting at a trade show in Shenzhen. In FY3/26, the performance of optics-related products was strong due to robust demand for automotive and smartphone applications and a recovery in demand for surveillance cameras. However, in the Chinese market, besides intensifying price competition with local manufacturers, business risks, including raw material procurement, are high. For this reason, the Company is working to further develop the market, aiming to expand sales through the sale of value-added products.

In the ASEAN region, although demand related to semiconductors is sluggish in Malaysia, the Company is promoting the development of sales channels across the region while targeting non-semiconductor industries and non-Japanese companies. While demand for transportation equipment is weak in Thailand and Indonesia, in Indonesia, efforts are continuing to expand sales, such as increasing sales of battery-related products to European, US, and local corporations. As future initiatives, the Company plans to strengthen production facilities in Thailand to expand sales to other industries, intensify sales activities in Surabaya, Indonesia's second-largest city, and cultivate new customers in Malaysia, primarily in the transportation machinery sector. In India, a project to resume the business of the dormant local subsidiary was launched in July 2025, and market research and sales expansion activities have been promoted through participation in trade shows. Subsequently, on April 1, 2026, a contract was concluded with a local agent, and sales operations have now commenced, mainly in Delhi and Bengaluru.

In North America, while continuing to conduct market research aimed at capturing new markets, the Company has adopted a policy of moving away from its traditional policy of self-reliance, and has begun considering new business models.

(4) Contributing to a zero carbon / recycling-based society

"Contributing to a zero carbon / recycling-based society" is a measure to develop and launch products that contribute to the formation of a zero carbon and recycling-based society in growth fields such as resource conservation, next-generation energy, and next-generation optical communications.

In October 2025, the Company started sales of STN30, a new alloy that reduces the volume of rare metals used by 90%. This is a strategic product that fundamentally revised the material design of ST60, which was developed and launched in March 2023, to further improve wear resistance, achieving both a lightness comparable to steel and a wear resistance on par with that of cemented carbide. At the beginning of sales, leveraging these features, adoption was anticipated in fields such as rotary tools and kneading tools for which wear resistance is required but heavyweight cemented carbide is difficult to use. However, with the supply of tungsten becoming unstable due to China's export restrictions on critical minerals, the potential for STN30 to be utilized as an alternative material to cemented carbide is increasing. The Company views these changes in the business environment as a growth opportunity and aims to capture new demand and develop new markets by expanding its lineup of tungsten- and cobalt-saving alloys.

In the next-generation energy field, the electrode containing catalyst (Powder Metallurgy Electrode: PME), which reduces energy consumption in green hydrogen production, received the Life and Social Problem Solution-Related Component Award at the 2025 'CHO' MONODZUKURI Innovative Parts and Components Awards sponsored by the Monodzukuri Nihon Conference and Nikkan Kogyo Shimbun. PME is expected to reduce energy consumption by 10–20% compared to conventional electrodes, and it is anticipated to contribute to the realization of carbon neutrality. The electrode is currently undergoing customer evaluation, with a market launch targeted for 2027.

Also, in the field of next-generation optical communications, leveraging its material development and processing technology capabilities, the Company is working on the development of molds for electronic components, such as optical communication connector molds used in data centers. Sales commenced in FY3/26, and the Company is now working on the development of even higher-precision products.

In addition, new product development for growth fields is progressing, centered on the Company's core technologies of powder metallurgy and ultra-precision processing technologies.

(5) Development of new business

"Development of new business" is a measure to cultivate new earnings pillars and realize a company that lasts for 100 years. In July 2024, the Company established a "New Business Organization," putting in place a full-fledged system for exploring new business ideas and examining their commercial viability. To facilitate the acceleration of new business launches, the Company is also considering M&As and business alliances as effective options. As to specific progress, in the recycling business for carbide tools and molds, after starting trial collections in model regions in October 2025, the Company has expanded the target regions nationwide and is actively conducting collection activities. It is proceeding with establishing a domestic circular recycling system for carbide wear-resistant tools and molds utilizing its customer network.

Shareholder return policy

In addition to a stable dividend targeting a DOE of 4%, the Company implements a flexible acquisition of treasury shares

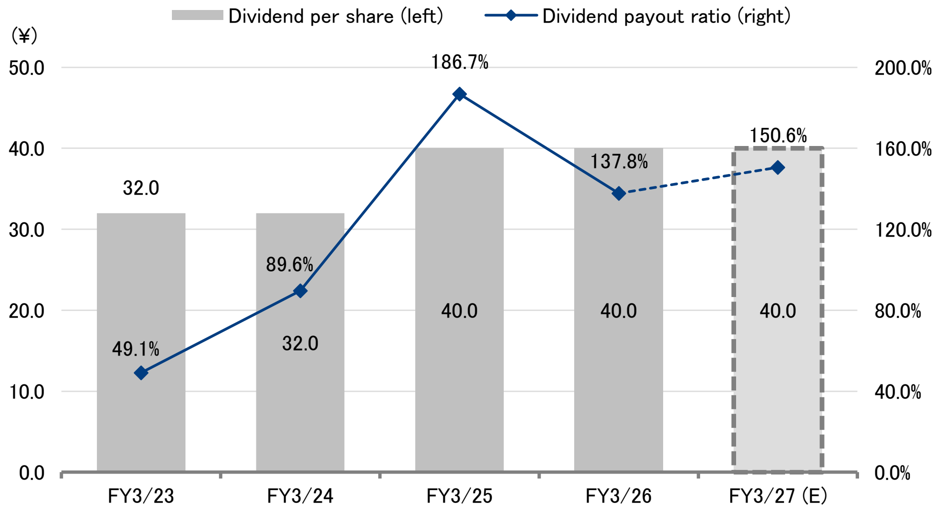
1. Shareholder return policy

The Company implements dividends as its shareholder return policy. It considers the continuous provision of stable dividends to shareholders to be one of its key management challenges. Its basic policy for dividends is to distribute profits appropriately based on a comprehensive judgment of the profit situation, future business development, etc. The previous dividend policy was based on a consolidated dividend payout ratio of 50%, but under the Medium-term Management Plan 2026, the Company has changed the dividend benchmark from the previous payout ratio to dividend on equity (DOE) ratio. In addition to a stable dividend targeting a DOE of 4%, the Company is working on shareholder returns through the proactive and flexible acquisition of treasury shares.

2. Dividend payment track record and plans

In accordance with the above policy, the dividend per share for FY3/26 was ¥40.0, the same as in the previous fiscal year, continuing a dividend level that exceeds profit. For FY3/27, despite the forecast for a profit decrease, the Company plans to continue with a dividend per share of ¥40.0. In FY3/25, despite recording a profit decrease, the dividend per share was ¥40.0, an increase of ¥8.0 from the previous fiscal year. Considering that the FY3/24 dividend per share of ¥32.0 included a commemorative dividend of ¥10.0 for the 75th anniversary of its founding, this effectively represents a substantial increase of ¥18.0. The Company has maintained this dividend level since then, demonstrating its commitment to shareholder returns.

Dividend per share and dividend payout ratio



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

3. Acquisition of treasury shares

To further clarify the improvement of capital efficiency and the enhancement of shareholder returns, on August 12, 2025, the Company established and announced a treasury share acquisition framework of up to 400,000 shares (equivalent to 2.0% of the total number of issued shares, excluding treasury shares) for a total of ¥300mn. Subsequently, on December 5, 2025, it completed the purchase of 350,400 shares (acquisition cost: ¥299,984,000). The Company estimates its cost of shareholders' equity to be in the range of 4.5%–5.0%. In addition to the improvement of its profitability, it also intends to use these shareholder return reinforcement measures to help improve ROE.

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