

Review of FY2023 Medium-Term Management Plan

The FY2023 Medium-Term Management Plan, which started in fiscal 2019, aimed to establish foundations for sustainable growth as its core policy, with net sales of ¥1 trillion and an operating profit ratio of 8% or more, and under this plan, we pursued three key initiatives: to promote growth strategies, to further improve profitability, and to continuously reinforce our operating foundation.

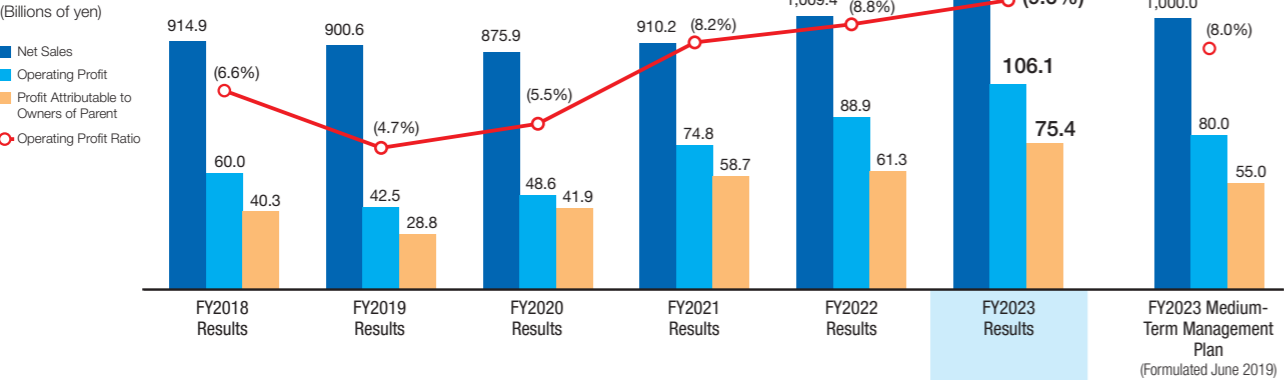
Throughout the FY2023 Medium-Term Management Plan period, the business environment remained unstable due to ongoing trade friction between the US and China, the spread of COVID-19, and geopolitical challenges such as the prolonged conflict between Russia and Ukraine as well as increasing tensions in the Middle East. In response to these significant environmental changes, we continued to respond to customer demands by addressing risks, including those associated with difficulties in procuring materials and rising raw material costs, by implementing strategies such as purchasing from multiple suppliers, optimizing our global production system, and increasing our in-house production capabilities. Additionally, to meet growing demand, we expanded our power semiconductor production capacity at our production bases both in Japan and overseas. We also made efforts to strengthen production capabilities, including enhancing our development and testing

facilities to accommodate the increasing number of orders and sales volume, in the comprehensive electrical equipment business that particularly targets data centers and semiconductor factories. Furthermore, we enhanced profitability through business structural reforms in areas that have profitability challenges, such as the ED&C components and vending machine businesses.

As a result, in fiscal 2023, we achieved record highs in net sales, operating profit, the operating profit ratio, and profit attributable to owners of parent for two consecutive years, with operating profit exceeding ¥100 billion for the first time in the Company's history. The targets set in the FY2023 Medium-Term Management Plan were met ahead of schedule, with the operating profit ratio achieved two years early and net sales reaching the target one year ahead of the plan.

By segment, the Energy, Industry, and Semiconductors segments drove overall performance, significantly surpassing the net sales and operating profit targets set in the FY2023 Medium-Term Management Plan. Although the Food and Beverage Distribution segment did not meet its net sales target due to the impact of the COVID-19 pandemic, it successfully achieved its operating profit target through improved profit structure driven by business structural reforms and the introduction of new products.

Consolidated Business Performance Trends



ROE	12%	8%	11%	13%	12%	13%	11%
ROA	4%	3%	4%	5%	5%	6%	5%
Equity Ratio	37%	37%	40%	42%	44%	47%	50%
Net Debt-Equity Ratio	0.4 times	0.4 times	0.3 times	0.2 times	0.2 times	0.2 times	0.1 times
Annual Dividends (Dividend Payout Ratio)	80 yen (28%)	80 yen (40%)	85 yen (29%)	100 yen (24%)	115 yen (27%)	135 yen (26%)	— (30%)

\*Net debt-equity ratio = net interest-bearing debt ÷ equity

Business Performance by Segment

	FY2018 Results			FY2023 Medium-Term Management Plan			FY2023 Results			Change					
										vs. FY2018 Results			vs. FY2023 Medium-Term Management Plan		
	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio
Energy	308.3	18.9	6.1%	295.0	22.0	7.5%	342.8	30.1	8.8%	34.4	11.3	2.7%	47.8	8.1	1.3%
Industry	345.3	22.1	6.4%	415.0	30.4	7.3%	419.9	34.3	8.2%	74.6	12.1	1.7%	4.9	3.9	0.9%
Semiconductors	137.3	15.6	11.4%	200.0	21.6	10.8%	228.0	36.2	15.9%	90.7	20.5	4.5%	28.0	14.6	5.1%
Food and Beverage Distribution	113.6	5.8	5.1%	120.0	8.4	7.0%	107.3	8.8	8.2%	-6.3	3.0	3.1%	-12.7	0.4	1.2%
Others	62.2	2.8	4.4%	60.0	3.4	5.7%	63.2	4.3	6.8%	0.9	1.5	2.4%	3.2	0.9	1.1%
Elimination and Corporation	-51.9	-5.2	—	-90.0	-5.8	—	-57.9	-7.6	—	-6.1	-2.5	—	32.1	-1.8	—
Total	914.9	60.0	6.6%	1,000.0	80.0	8.0%	1,103.2	106.1	9.6%	188.3	46.1	3.1%	103.2	26.1	1.6%

\* Figures for the fiscal 2018 results and the FY2023 Medium-Term Management Plan reflect the business reorganization implemented in fiscal 2023.

Overview of Results for Fiscal 2023

The business environment surrounding our Company saw significant changes with the impact of the COVID-19 pandemic subsiding and Japan reclassifying the virus as a Class 5 infectious disease, thereby greatly reducing restrictions on economic and social activities. Against this backdrop, driven by increased investments in decarbonization and digitalization, strong demand emerged in areas such as automotive electrification and digital infrastructure. This in turn led to steady plant and equipment investment in manufacturing and data centers. However, demand in areas such as machine tools became sluggish, largely due to the continued economic downturn in China.

To respond to this growing demand, we increased our front-end processing capacity for 8-inch silicon (Si) wafers for power semiconductors, optimized our production system to meet the rising customer demand for industrial substation and power equipment as well as store equipment for convenience stores, and promoted local production for local consumption. Additionally, we continued to work on improving profitability by expanding business opportunities through synergies and strengthening plant-related project management, including the integration of the Power Generation segment with the Energy and Industry segments .

As a result, net sales increased across all segments, rising by ¥93.8 billion year-on-year to ¥1.1032 trillion. Net overseas sales, particularly in the energy management business and the power supply and facility systems business within the Energy segment, the automation systems business in the Industry segment, and the Semiconductors segment, grew significantly, with net sales increases seen across all regions, especially in Asia.

Operating profit increased by ¥17.2 billion year-on-year to ¥106.1 billion, despite the rising costs of raw materials, energy, and the expenses associated with expanding production capacity. This was achieved through higher sales volumes, price increases for our products, and efforts to reduce costs. All segments recorded higher profits compared to the previous year, with the company-wide operating profit ratio reaching 9.6%, and all segments achieving the operating profit ratio exceeding 8%.

Profit attributable to owners of parent increased by ¥14 billion year-on-year to ¥75.4 billion. This was primarily due to the increase in operating profit, favorable exchange rate impacts, and gains from the sale of cross-shareholdings.

Business Performance by Segment

	FY2022 Result			FY2023 Result			Change		
	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio	Net Sales	Operating Profit	Operating Profit Ratio
Energy	333.3	28.6	8.6%	342.8	30.1	8.8%	9.5	1.6	0.2%
Industry	369.8	26.8	7.2%	419.9	34.3	8.2%	50.1	7.5	0.9%
Semiconductors	206.2	32.2	15.6%	228.0	36.2	15.9%	21.8	4.0	0.3%
Food and Beverage Distribution	95.3	4.4	4.6%	107.3	8.8	8.2%	12.0	4.5	3.6%
Others	59.8	3.7	6.3%	63.2	4.3	6.8%	3.4	0.6	0.6%
Elimination and Corporation	-54.9	-6.7	—	-57.9	-7.6	—	-3.0	-0.9	—
Total	1,009.4	88.9	8.8%	1,103.2	106.1	9.6%	93.8	17.2	0.8%

\* Figures for the fiscal 2022 results reflect the business reorganization implemented in fiscal 2023.

Overview of Results

(Billions of yen)	FY2022 Results	FY2023 Results	Change
Net Sales	1,009.4	1,103.2	93.8
Operating Profit	88.9	106.1	17.2
Operating Profit Ratio	8.8%	9.6%	0.8%
Profit Attributable to Owners of Parent	61.3	75.4	14.0
Ratio of profit attributable to owners of parent to net sales	6.1%	6.8%	0.7%

Financial Indicators

ROE	12.4%	13.5%	1.1%
ROIC	10.2%	11.5%	1.3%
Equity Ratio	43.8%	47.4%	3.6%
Net Debt-Equity Ratio	0.2 times	0.2 times	—

Net Overseas Sales

