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(TSE Prime: 8151)

Presentation for financial results for Q3 FY9/24

August 7, 2024

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Quest for Precision

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1. **Financial results for Q3 FY9/24**
2. **Orders & order backlog**
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1. Financial results for Q3 FY9/24

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Key highlights for Q3 FY9/24

Net sales: +22.5% YoY

・**Physics / Energies remained strong** due to R&D activities in the brisk carbon neutrality field such as in next-gen batteries and EVs

・**Mechatronics / Noise & Vibration / Sensors saw large projects** for AD/ADAS* development booked in the US and Japan

Operating profit: +160.0%YoY

・In addition to top line growth, **price revisions and change in sales mix**

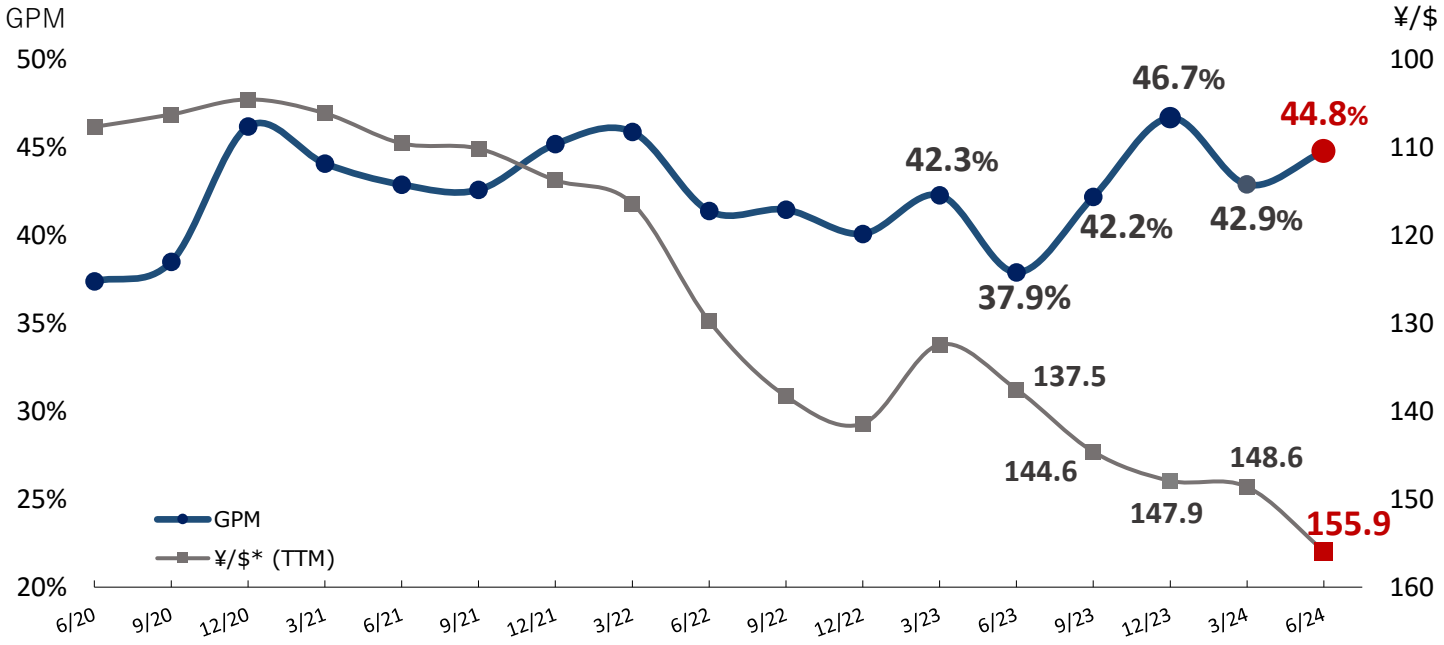
・As Q3 is the start of the financial year for many of our clients, transaction volume tends to decline and quarterly OP tends to be low

(¥bn)	Q3 FY9/23 Actual	Q3 FY9/24 Actual	YoY	
			(amount)	(%)
Net sales	21.15	25.92	+4.77	+22.5%
Operating profit	1.14	2.97	+1.83	+160.0%
OPM	5.4%	11.5%	–	–
Ordinary profit	1.36	3.10	+1.74	+127.6%
Profit attributable to owners of parent	0.96	2.32	+1.36	+140.8%

*AD＝Autonomous Driving, ADAS＝ Advanced Driver-Assistance Systems

Forex and gross profit margins

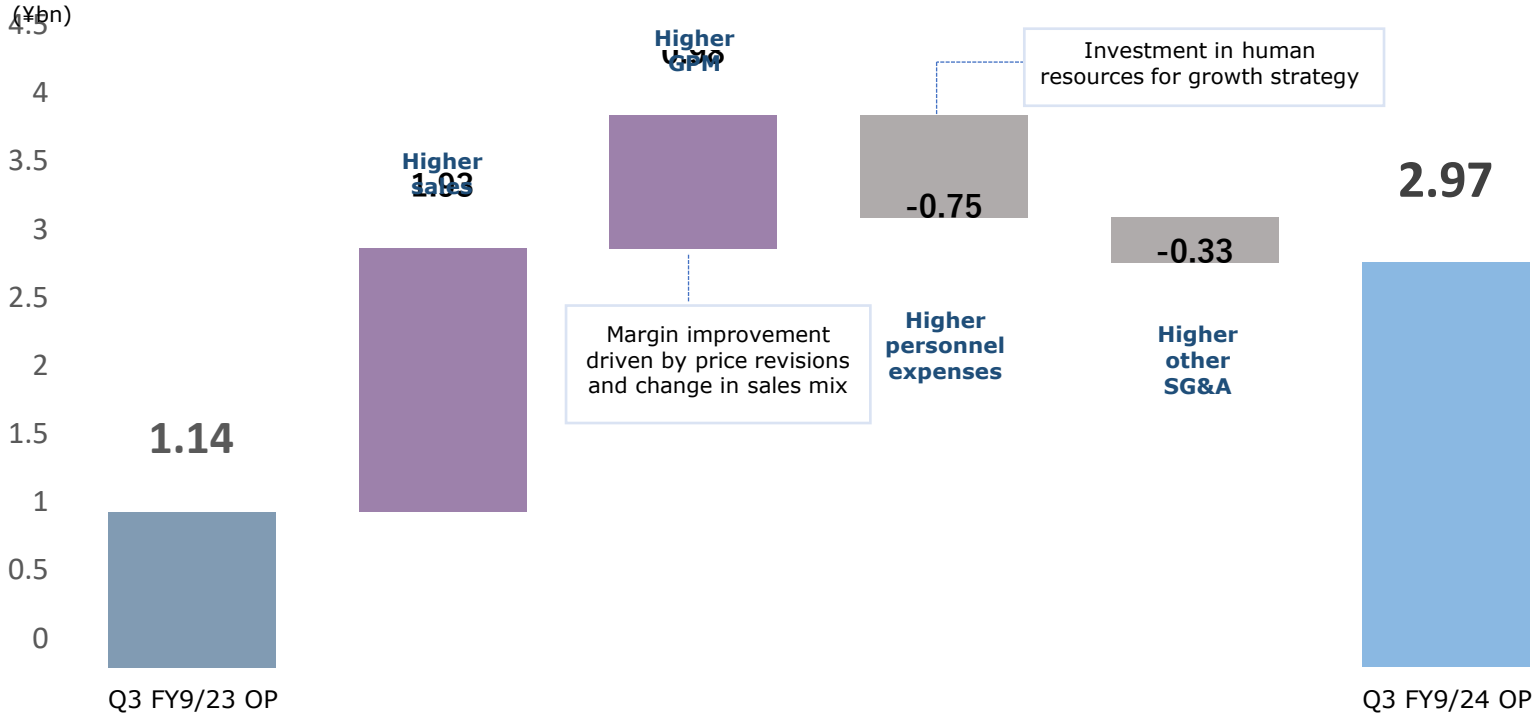
Despite further yen depreciation, Q3 GPM rose to 44.8% due to change in sales mix
Q1-3 cumulative GPM was 44.3%



*3-month average forex rate

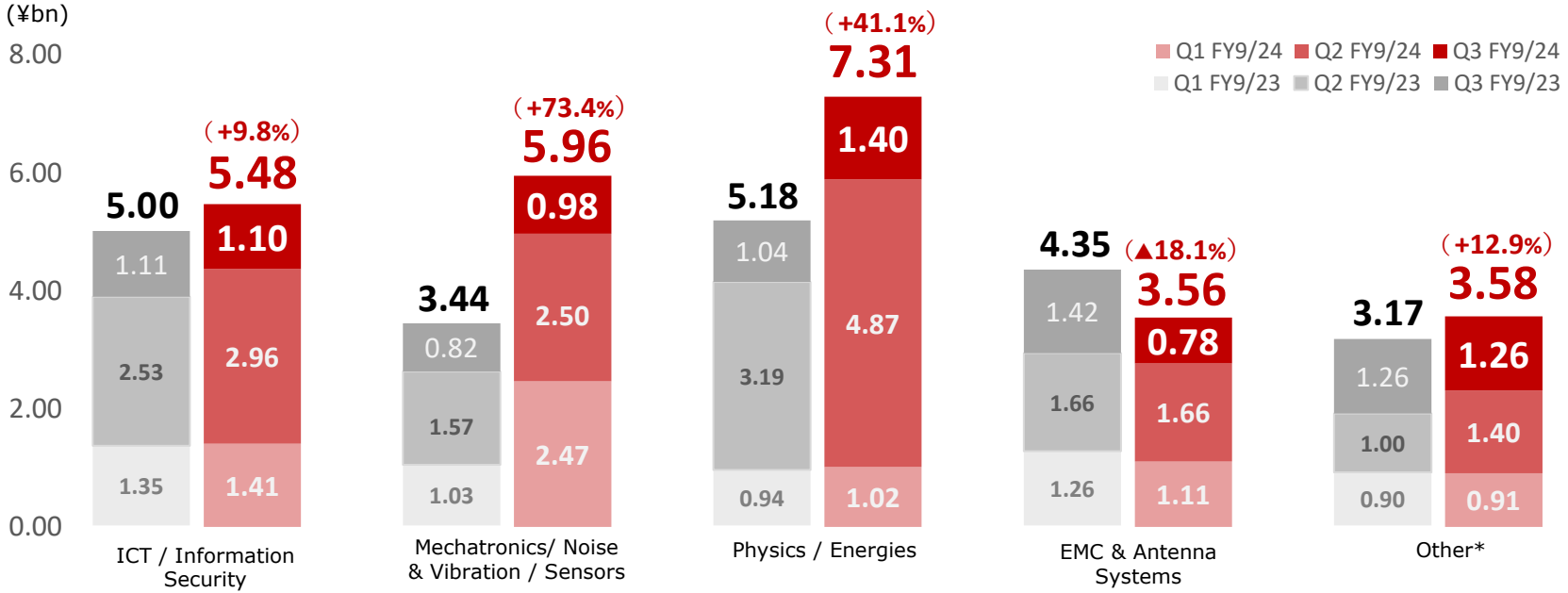
Operating profit YoY variance

Sharp rise in Q1-3 OP due to sales growth, higher GPM



Net sales by segment

Q3 sales declined QoQ, typical as transaction volume is seasonally low in the period



*Note: Other includes 3 segments: Ocean / Defense & Security, Software Quality & Productivity, and Life Science

Analysis: Net sales and profit by segment

(¥bn)		Q3 FY9/23 Actual	Q3 FY9/24 Actual	YoY change	YoY %	Notes
ICT/ Information Security	Net sales	5.00	5.48	+0.48	+9.8%	■Growth in network performance testing for major communications carriers in the ICT field and new business in mobile mapping systems ■Projects for service providers were solid in the cybersecurity field
	Segment profit	0.16	0.29	+0.13	+81.9%	
	Margin	3.2%	5.3%	+2.1ppt	–	
Mechatronics / Noise & Vibration / Sensors	Net sales	3.44	5.96	+2.52	+73.4%	■Large projects for AD/ADAS development were booked in Japan and overseas ■Sharp rises in sales and profits, in part due to margin improvement following price revisions
	Segment profit	0.27	1.42	+1.15	+413.9%	
	Margin	7.8%	23.8%	+16.0ppt	–	
Physics / Energies	Net sales	5.18	7.31	+2.13	+41.1%	■Segment performance extremely solid due to booking of basic electrochemical measurement system project and battery charging measurement system projects ■Significant growth in sales and profit
	Segment profit	1.22	1.71	+0.49	+39.6%	
	Margin	23.6%	23.4%	-0.2ppt	–	
EMC & Antenna Systems	Net sales	4.35	3.56	-0.79	-18.1%	■Top-line boost from consolidation of Toyo EMC Engineering, but segment sales fell YoY given the year earlier booking of a large-scale project in China ■Segment profit rose YoY as margins improved
	Segment profit	0.24	0.28	+0.04	+19.5%	
	Margin	5.5%	7.9%	+2.4ppt	–	
Other	Net sales	3.17	3.58	+0.41	+12.9%	■In the Ocean / Defense & Security segment, sales rose YoY due to large projects and upfront booking of projects, while profits were lifted by higher sales and price revisions ■In the Software Quality & Productivity segment, license sales of version control tools to game companies were brisk
	Segment profit	0.48	0.58	+0.10	+20.8%	
	Margin	15.1%	16.2%	+1.1ppt	–	

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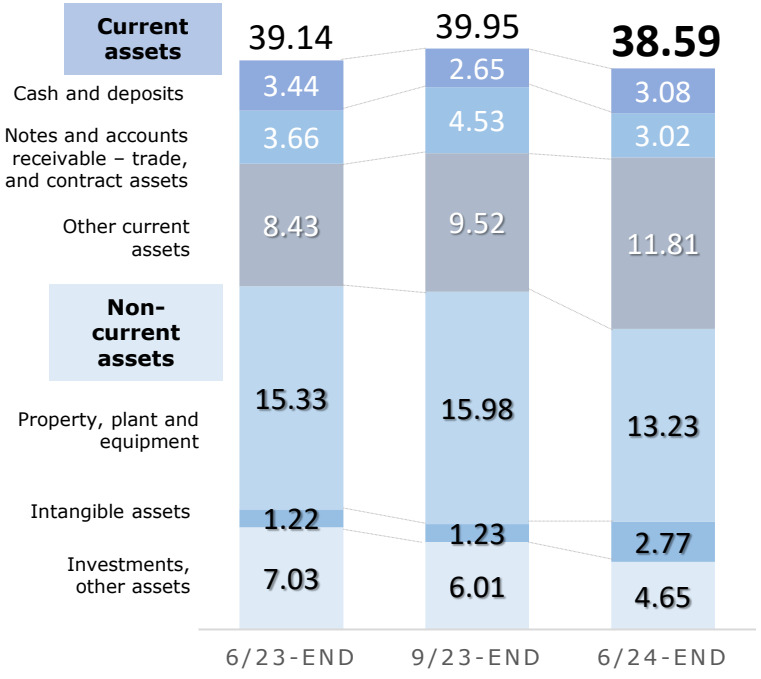
Consolidated balance sheet: Major items

Assets

■ **Current assets: Decrease in receivables & contract assets**

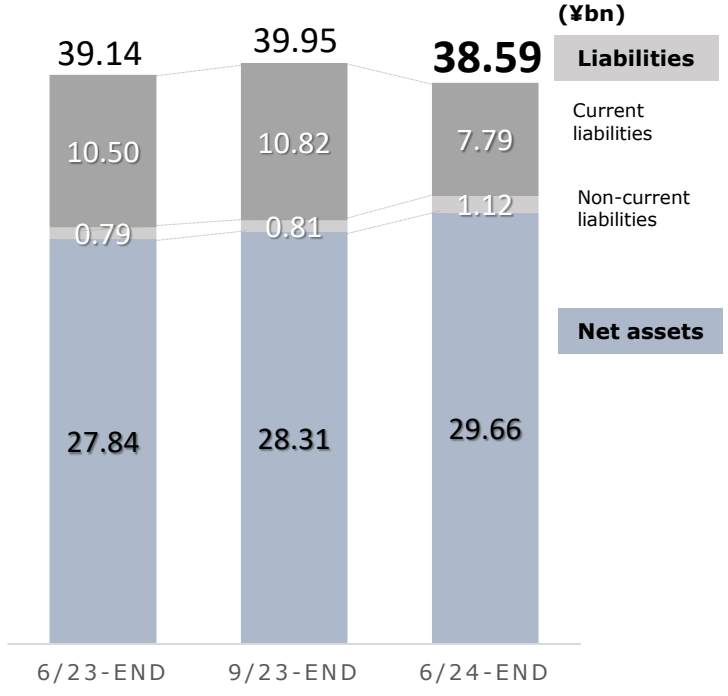
■ **Non-current assets: Decrease in buildings & structures and land, increase in goodwill**



Liabilities and net assets

■ **Liabilities: Decrease in advances received**

■ **Net assets: Increase in retained earnings**



2. Orders & order backlog

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Overview of new orders and order backlog

New orders

- Sharp order growth in the **Mechatronics / Noise & Vibration / Sensors and Ocean / Defense & Security**

Order backlog

- Order backlog fell YoY, due to declines in **EMC & Antenna Systems** orders

(¥bn)	Q3 FY9/23 Actual	Q3 FY9/24 Actual	YoY	
			Change	%
New orders	23.28	24.59	+1.31	+5.6%
Order backlog	17.68	17.30	-0.38	-2.1%

Orders & order backlog by segment

(¥bn)		Q3 FY9/23 Actual	Q3 FY9/24 Actual	YoY change	YoY %	Notes
ICT/ Information Security	Orders	5.67	5.86	+0.19	+3.2%	■In the ICT field, orders from major communications carriers and new business was solid, orders and the order backlog grew
	Backlog	3.32	3.42	+0.10	+3.0%	■In the information security field, orders for service providers were brisk
Mechatronics / Noise & Vibration / Sensors	Orders	4.34	5.70	+1.36	+31.4%	■Orders grew due to new orders in Japan and overseas for products at subsidiary Rototest
	Backlog	3.40	3.53	+0.13	+3.7%	■The backlog rose due to growth in new orders in Q3
Physics / Energies	Orders	6.25	5.64	-0.61	-9.7%	■Orders were brisk for basic electrochemical measurement systems but orders fell overall due to delays at several customers for automotive electrification projects
	Backlog	4.89	4.29	-0.60	-12.2%	■ The backlog fell due to lower orders and progress in working through the backlog
EMC & Antenna Systems	Orders	3.38	2.74	-0.64	-19.1%	■Orders declined due to stiffer competition and order delays by customers
	Backlog	3.39	2.33	-1.06	-31.4%	■The backlog fell sharply YoY due to fewer orders
Other	Orders	3.62	4.64	+1.02	+28.1%	■Orders in Ocean / Defense & Security were very firm, and also rose in Software Quality & Productivity and Life Science businesses
	Backlog	2.65	3.71	+1.06	+40.0%	■The backlog grew very strongly on solid orders in Ocean / Defense & Security

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3. Full-year forecast for FY9/24

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Full-year forecast for FY9/24

Progress towards upwardly revised guidance is favorable, with sales around 75% of the full-year plan and OP around 89% at Q3

(¥bn)	FY9/23 Actual	FY9/24 Revised forecast (May 15)	YoY		Q3 FY9/24 Actual	vs full-year forecast	
			Change	%		Progress	Needed in Q4
Net sales	28.17	34.50	+6.33	+22.5%	25.92	75.1%	8.58
Operating profit	1.47	3.35	+1.88	+127.5%	2.97	88.7%	0.38
OPM	5.2%	9.7%	+4.5ppt	–	11.5%	–	–
Ordinary profit	1.80	3.40	+1.60	+88.8%	3.10	91.2%	0.30
Profit attributable to owners of parent	1.53	2.50	+0.97	+63.0%	2.32	92.8%	0.18
ROE	5.3%	8.7%	+3.4ppt	–	–	–	–

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4. Recent initiatives to enhance corporate value

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Proactive efforts to win large-scale orders

Subsidiary Rototest wins three large-scale projects, total of four sets

Mechatronics / Noise & Vibration / Sensors

■In March, subsidiary Rototest secured an order of **two sets of its hub-coupled chassis dynamometer** (ROTOTEST® Energy™) **from a major US OEM**

This is a **VILS test system for AD/ADAS development (approx. ¥0.2-1bn per set)**. After taking delivery of two sets in Q1, the US OEM repeated the order

■System performance and our technical support received high evaluation. In **Q3 we also secured new orders from a major domestic OEM and a UK engineering company. Booking of sales from these orders is expected next FY and beyond**



ROTOTEST® Energy™, our hub-coupled chassis dynamometer that simulates actual vehicle driving in a facility

*VILS＝Vehicle in the Loop Simulation (simulation using a real vehicle)

5. Shareholder returns

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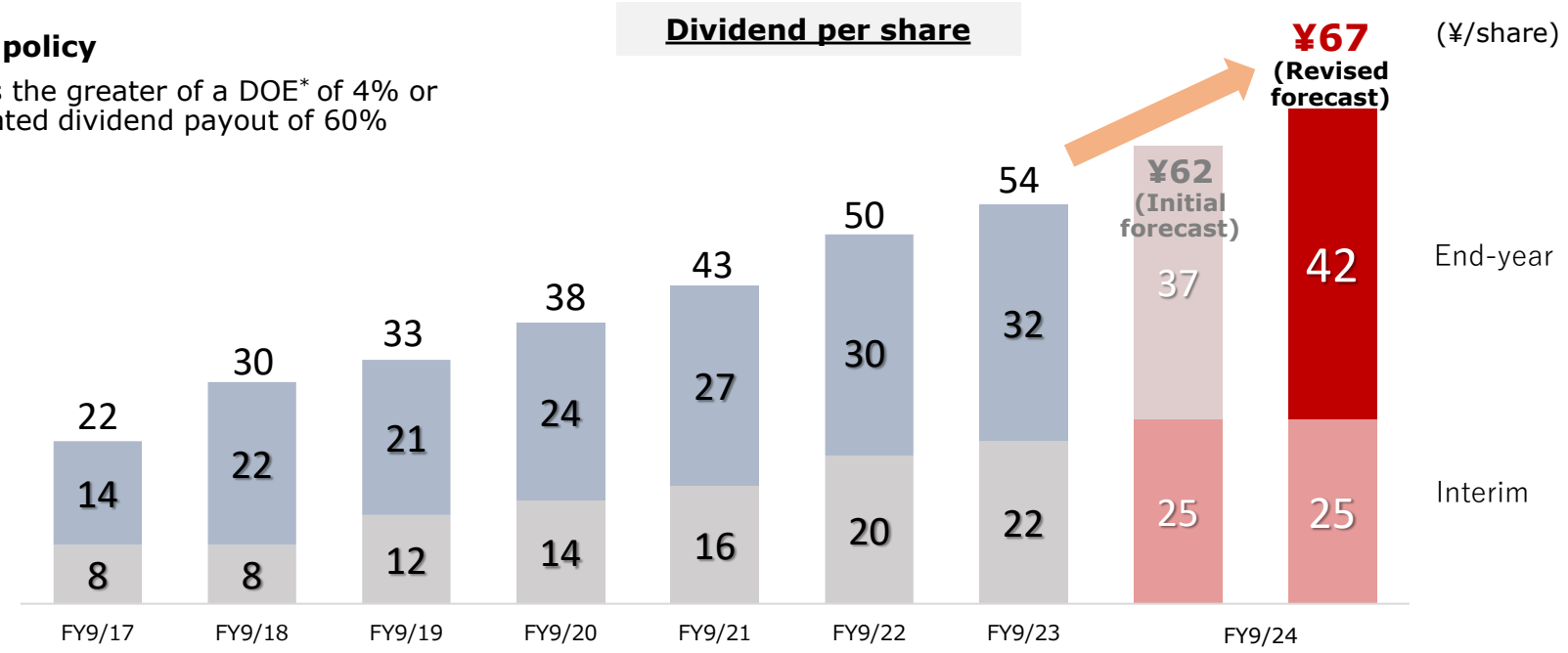
Shareholder returns: Dividends

End-year DPS forecast raised by ¥5 from ¥37 to ¥42, taking annual DPS to a record ¥67

Dividend policy

Dividend is the greater of a DOE* of 4% or a consolidated dividend payout of 60%



*DOE = Annual dividend / shareholders' equity

Shareholder returns: Share buybacks

- At the 3Q results, we announced **a buyback of up to 1.2mn shares, ¥1.5bn**
- **We asked several corporate shareholders to sell their holdings**, some of which will be acquired via ToSTNeT-3

Type of shares	: Common shares
Number of shares	: 1.2mn shares (maximum)
Acquisition cost	: ¥1.5bn (maximum)
Acquisition period	: August 8, 2024 – July 31, 2025
Acquisition method	: Market purchases including advance notification type (ToSTNeT-3) on the TSE

- Share buybacks in recent years

Period	Type	No. of shares	Amount
August 12, 2022 –June 15, 2023	Common shares	1,492,100	¥1,999,945,015
August 6, 2021	Common shares	959,000	¥1,130,661,000

6. Formulation of the next medium-term management plan

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Focus for the next medium-term management plan

Set capital policies such as investment plans

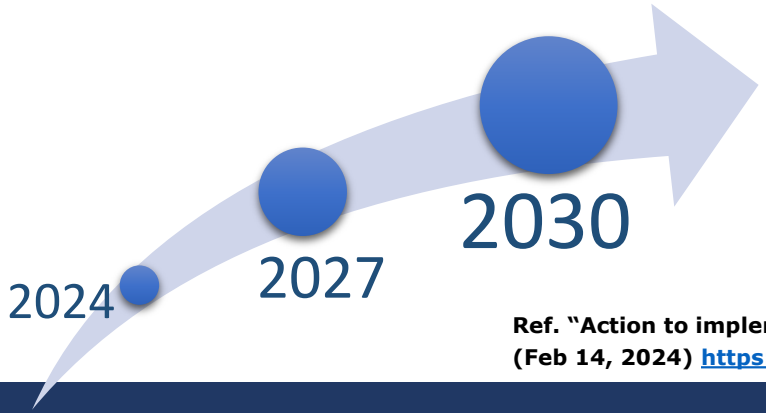
・Consider and disclose management resource allocation including use of interest-bearing debt

Set plans based on business strategy

・Set plans based on business strategy defined as the growth axis

Disclosure of a vision from a long-term perspective

・Define future vision, use backcasting to set plans for next year



Proposed business strategy measures (excerpt)

- Decarbonization, climate change, other environmental businesses
- Advanced mobility business
- Original solutions & products
- Recurring business
- Growth via M&A

Ref. "Action to implement management that is conscious of cost of capital and stock prices" (Feb 14, 2024) https://ssl4.eir-parts.net/doc/8151/ir_material7/223724/00.pdf

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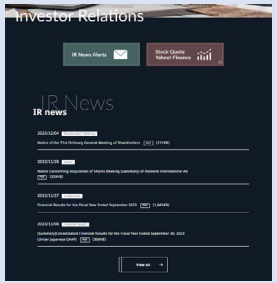

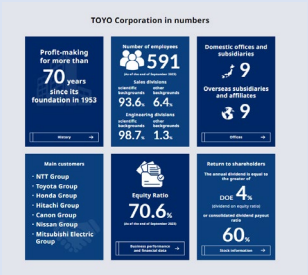

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