

* Notes

- (1) Changes in significant subsidiaries (or changes in specified subsidiaries that affect the scope of consolidation) during the current consolidated cumulative second quarter: None
 New: — (Company name:) Excluded: — (Company name:)
- (2) Application of account processing specific to the creation of quarterly consolidated financial statements: None
- (3) Change in accounting policy, change in accounting estimates and restatements
 (i) Change in accounting policy due to the revision of accounting standards, etc. : None
 (ii) Change in accounting policy for other reasons : None
 (iii) Change in accounting estimates : None
 (iv) Restatements : None

(4) Number of shares issued (common share)

(i) Number of shares issued (including treasury shares) at the period-end	As of September 30, 2023	41,745,505 shares	As of March 31, 2023	41,745,505 shares
(ii) Number of treasury shares at the period-end	As of September 30, 2023	1,258,652 shares	As of March 31, 2023	1,278,572 shares
(iii) Average number of shares outstanding in the period (quarterly total)	FY2023 2nd Quarter	40,475,459 shares	FY2022 2nd Quarter	40,491,927 shares

(Note) We have introduced the performance-based stock compensation plan, "Board Benefit Trust (BBT)," since FY2019. Accordingly, in the calculation of the basic earnings per share, the Company shares owned by the Trust are included in the treasury shares, which are deducted in the calculation of the number of treasury shares at the period-end and the average number of shares outstanding in the period.

* These quarterly financial results are not subject to quarterly reviews by certified public accountants or audit corporations.

* Explanation of the appropriate use of the expected results of operations, other special notes
 (Regarding changes in the unit of monetary presentation)

Previously, the amounts for accounts presented in the Company's quarterly consolidated financial statements and other items were presented in the units of thousand yen. However, we have changed it to the units of million yen from the first quarter of the consolidated accounting period and the first quarter of the consolidated cumulative period. In order to facilitate comparison, the figures for the previous consolidated fiscal year and the second quarter of the previous consolidated cumulative period are also presented in the units of million yen.

(Descriptions about the future)

Forecasts for operations and other descriptions about the future that are contained in this document are based on the information acquired at the time of publication, as well as certain premises that we judge reasonable. The actual results of operations and so on may change greatly as a result of various factors. For information about the conditions acting as the premise for the expected results of operations and notes on the use of the expected results of operations, see "(2) Explanation for the information on future prospects including the expected consolidated results of operations" on page 4 of Attachment.

Note: This document has been translated from the original document in Japanese. In the event of any discrepancy between this English translation and the original document in Japanese, the original document in Japanese shall prevail.

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1. Qualitative information for financial results of the current quarter

(1) Explanation for results of operations and financial condition

Matters related to the future appearing in this text have been judged by our Group as of the last day of the current consolidated fiscal second quarter.

(i) Overview and results of operations

During the current consolidated cumulative second quarter, the global economy showed increasing signs of stagnation due to prolonged global inflation, continued monetary tightening, and slowdown of the Chinese economy. The Japanese economy continues to show improvement due to the continued expansion of inbound demand and a moderate recovery in personal consumption, especially in services.

Under these circumstances, our business performance for the current consolidated cumulative second quarter is as follows: net sales standing at 25,898 million yen (up 14.5% from the same consolidated cumulative quarter of the previous fiscal year), operating profit at 2,866 million yen (up 22.5%), ordinary profit at 3,951 million yen (up 27.5%) and profit attributable to owners of parent at 2,623 million yen (up 32.9%).

(Reference values) Results of each division

(Amount: million yen)

Division	(Product category)	Six months ended September 30, 2023			
		Consolidated net sales	Change from the corresponding period of the previous fiscal year	Consolidated operating profit	Change from the corresponding period of the previous fiscal year
Air Energy Division		15,967	16.5%	1,413	6.2%
	Air Compressors	14,522	15.4%		
	Vacuum Equipment	1,445	29.6%		
Coating Division		9,930	11.4%	1,452	43.9%
	Coating Equipment	8,755	8.7%		
	Coating Systems	1,175	37.2%		
Total		25,898	14.5%	2,866	22.5%

(Note) The consolidated operating profit of each division is calculated with our Group's unique standard.

(ii) Results of operations by segment

Results of operations by regional segment, which our Group adopts, are as described below. For details, refer to (Segment information, etc.) in "2. Quarterly consolidated financial statements and main notes - (4) Notes on quarterly consolidated financial statements."

Japan

Net sales stood at 13,256 million yen (up 15.6% from the same consolidated cumulative quarter of the previous fiscal year), and segment profit stood at 1,866 million yen (up 25.4%).

In the air compressor field, sales remained strong for oil-free air compressors, including the medium-range compressors.

In the vacuum equipment field, sales of vacuum pumps increased, supported by improved market conditions of semiconductor products.

In the coating equipment field, in addition to our mainstay spray guns, sales of environmental equipment grew as a result of capturing last-minute demand due to price increases starting in October and thorough property management.

In the coating system field, sales increased due to the successful deliveries of coating systems for industrial machinery, including large-scale projects.

Europe

Net sales stood at 4,558 million yen (up 23.8% from the same consolidated cumulative quarter of the previous fiscal year), and segment profit stood at 524 million yen (up 102.4%). The increase in profit is largely due to higher sales of coating equipment and the completion of amortization of goodwill of a subsidiary acquired in 2017.

In the air compressor field, sales of oil-free air compressors increased due to continuous rise in demand from OEM customers and also because of continuous efforts taken to develop sales channels with equipment manufacturers.

In the coating equipment field, sales of new spray guns for the car repair market that were launched in the previous fiscal year remained strong, while sales of airbrushes increased.

Americas

Net sales stood at 3,529 million yen (up 20.5% from the same consolidated cumulative quarter of the previous fiscal year), and segment profit stood at 469 million yen (up 38.0%).

In the air compressor field, sales of in-vehicle compressors increased mainly in the United States and Brazil.

In the vacuum equipment field, sales increased as a result of effective sales activities that resulted from the acquisition of a portion business from an American vacuum equipment distributor in the first quarter of the fiscal year.

In the coating equipment field, mainly the sales of spray guns increased. In addition, we have begun selling spray guns for the car repair market, which were first launched in Europe and were highly successful.

China

Net sales stood at 5,959 million yen (up 16.2% from the same consolidated cumulative quarter of the previous fiscal year), and segment profit stood at 297 million yen (down 3.7%). The decline in profit was due to higher purchasing prices at the local subsidiaries, a decline in net sales, and increase in labor costs.

In the air compressor field, export sales of Shanghai Screw Compressor Co., Ltd. continued to be strong due to successful sales promotion activities at international exhibitions held during the first quarter of the fiscal year. In addition, sales of air compressors used in the manufacturing of lithium-ion batteries also increased.

In the vacuum equipment field, sales of vacuum pumps for semiconductor production-related equipment and lithium-ion battery manufacturing increased.

In the coating equipment field, sales declined because of shrinking demand due to the slowdown of the Chinese economy.

In the coating system field, sales declined as a result of a reduced appetite for capital investment among Japanese auto parts manufacturers.

Others

Net sales stood at 4,765 million yen (up 2.2% from the same consolidated cumulative quarter of the previous fiscal year), and segment profit stood at 764 million yen (up 10.1%).

In the air compressor field, overall sales increased due to the partial completion of the capital investment process in India to increase production capacity in the first quarter of the fiscal year and the successful development of sales channels in Thailand.

In the coating equipment field, sales increased for spray guns in India and East Asia and for coating material feeding equipment in Southeast Asia.

In the coating system field, sales decreased due to delays in the deliveries for large-scale projects due to reasons attributable to customers, while the backlog of orders for coating systems for automotive parts manufacturing in India increased.

(iii) Analysis of financial condition

For assets, our current assets stood at 39,672 million yen (up 7.9% from the previous consolidated fiscal year). This was mainly due to increases of 1,294 million yen in "Notes and accounts receivable-trade" and 655 million yen in "Raw materials and supplies." Our non-current assets stood at 24,407 million yen (up 4.5%). This was mainly due to increases of 104 million yen in "Goodwill" and 217 million yen in "Investment securities." As a result, our total assets stood at 64,080 million yen (up 6.6%).

For liabilities, our current liabilities stood at 11,828 million yen (up 0.9%). This was mainly due to an increase of 253 million yen in "Notes and accounts payable-trade." Our non-current liabilities stood at 3,190 million yen (up 0.9%). This was mainly due to an increase of 64 million yen in "Retirement benefit liability." As a result, our total liabilities stood at 15,018 million yen (up 0.9%).

Our net assets stood at 49,062 million yen (up 8.4%). This was mainly due to an increase of 1,394 million yen in "Foreign currency translation adjustment" owing to the depreciation of yen. Our equity capital, which is calculated by subtracting the non-controlling interests from the net assets, stood at 43,441 million yen, increasing our equity ratio by 1.2 percentage points to 67.8%, from 66.6% at the end of the previous consolidated fiscal year.

(iv) Cash flow

Cash and cash equivalents (referred to as "funds" in the remainder of this document) for the current consolidated cumulative second quarter increased by 1,049 million yen from the end of the previous consolidated fiscal year, to 13,130 million yen (up 8.7% from the end of the previous consolidated fiscal year). Each cash flow in the current consolidated cumulative second quarter, as well as the causes, are as described below.

1) Cash flows from operating activities

As a result of operating activities, the fund balance shows earnings of 1,914 million yen (up 140.2% from the same period of the previous fiscal year), mainly due to an increase of 806 million yen in "Profit before income taxes," as well as the inclusion of 1,000 million yen in expenses associated with the establishment of a retirement benefit trust in the previous fiscal year.

2) Cash flows from investing activities

As a result of investing activities, the fund balance shows earnings of 75 million yen (compared to expenses of 1,568 million yen in the same period of the previous year), mainly due to an increase of 888 million yen in "Proceeds from

withdrawal of time deposits" and a decrease of 334 million yen in "Purchase of property, plant and equipment."

3) Cash flows from financing activities

As a result of financing activities, the fund balance shows expenses of 1,534 million yen (up 15.9% from the same period of the previous year), mainly due to an increase of 199 million yen in "Dividends paid."

(2) Explanation for the information on future prospects including the expected consolidated results of operations

The expected results of operations for the fiscal year ending March 31, 2024 have been revised from those announced on May 9, 2023. For details, please refer to the "Notice Regarding Difference Between Forecast and Actual Consolidated Financial Results for Second Quarter of Fiscal Year Ending March 31, 2024 and Revision of Full-Year Consolidated Financial Forecast, and Dividends of Surplus (Interim Dividend)" announced on November 9, 2023.

At present, the expected Year-end dividend for the fiscal year ending March 31, 2024 announced on May 9, 2023 remains unchanged.

2. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Amount: million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	14,512	15,315
Notes and accounts receivable-trade	9,102	10,397
Merchandise and finished goods	6,842	7,312
Work in process	1,261	992
Raw materials and supplies	3,740	4,395
Other	1,693	1,800
Allowance for doubtful accounts	(377)	(540)
Total current assets	36,773	39,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,590	5,595
Other, net	6,870	7,434
Total property, plant and equipment	12,461	13,029
Intangible assets		
Goodwill	757	861
Other	2,447	2,577
Total intangible assets	3,204	3,439
Investments and other assets		
Investment securities	5,464	5,682
Other	2,243	2,268
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	7,696	7,939
Total non-current assets	23,363	24,407
Total assets	60,136	64,080

(Amount: million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,355	5,609
Short-term borrowings	908	949
Income taxes payable	888	984
Provision for bonuses	844	791
Other provisions	268	227
Other	3,452	3,265
Total current liabilities	11,719	11,828
Non-current liabilities		
Retirement benefit liability	1,188	1,253
Provision for share awards for directors (and other officers)	181	177
Other	1,791	1,759
Total non-current liabilities	3,161	3,190
Total liabilities	14,881	15,018
Net assets		
Shareholders' equity		
Share capital	3,354	3,354
Capital surplus	1,008	1,008
Retained earnings	34,282	36,012
Treasury shares	(1,179)	(1,159)
Total shareholders' equity	37,466	39,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	527	793
Foreign currency translation adjustment	2,034	3,429
Remeasurements of defined benefit plans	(3)	1
Total accumulated other comprehensive income	2,558	4,225
Non-controlling interests	5,229	5,621
Total net assets	45,255	49,062
Total liabilities and net assets	60,136	64,080

(2) Quarterly consolidated statement of income and comprehensive income
Quarterly consolidated statement of income
Consolidated cumulative second quarter

(Amount: million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	22,613	25,898
Cost of sales	12,917	14,277
Gross profit	9,696	11,620
Selling, general and administrative expenses	7,355	8,754
Operating profit	2,340	2,866
Non-operating income		
Interest and dividend income	56	100
Foreign exchange gains	515	561
Share of profit of entities accounted for using equity method	176	398
Other	58	67
Total non-operating income	806	1,128
Non-operating expenses		
Interest expenses	25	27
Other	23	15
Total non-operating expenses	48	43
Ordinary profit	3,098	3,951
Extraordinary income		
Gain on sale of non-current assets	4	6
Gain on sale of investment securities	—	14
Gain on liquidation of subsidiaries	56	—
Total extraordinary income	60	20
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	10
Total extraordinary losses	3	10
Profit before income taxes	3,155	3,961
Income taxes - current	970	1,152
Income taxes - deferred	(138)	(232)
Total income taxes	832	920
Profit	2,323	3,041
Profit attributable to non-controlling interests	349	417
Profit attributable to owners of parent	1,973	2,623

Quarterly consolidated statement of comprehensive income
 Consolidated cumulative second quarter

(Amount: million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,323	3,041
Other comprehensive income		
Valuation difference on available-for-sale securities	14	266
Foreign currency translation adjustment	2,255	1,523
Remeasurements of defined benefit plans, net of tax	5	4
Share of other comprehensive income of entities accounted for using equity method	392	263
Total other comprehensive income	2,668	2,058
Comprehensive income	4,991	5,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,020	4,289
Comprehensive income attributable to non-controlling interests	971	810

(3) Quarterly consolidated statement of cash flows

(Amount: million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,155	3,961
Depreciation	853	946
Amortization of goodwill	138	116
Increase (decrease) in allowance for doubtful accounts	32	136
Increase (decrease) in provision for bonuses	12	(55)
Increase (decrease) in provision for product warranties	0	(7)
Increase (decrease) in retirement benefit liability	(5)	36
Decrease (increase) in retirement benefit asset	(12)	0
Contribution to retirement benefit trust	(1,000)	—
Increase (decrease) in provision for bonuses for directors (and other officers)	(42)	(37)
Increase (decrease) in provision for share awards for directors (and other officers)	31	(4)
Interest and dividend income	(56)	(100)
Interest expenses	25	27
Share of loss (profit) of entities accounted for using equity method	40	(120)
Loss (gain) on sale and retirement of non-current assets	(0)	3
Loss (gain) on sale of investment securities	—	(14)
Loss (gain) on liquidation of subsidiaries	(56)	—
Decrease (increase) in trade receivables	(469)	(656)
Decrease (increase) in inventories	286	(54)
Increase (decrease) in trade payables	(353)	(348)
Other	(815)	(868)
Subtotal	1,763	2,961
Interest and dividends received	56	101
Interest paid	(25)	(27)
Income taxes paid	(997)	(1,120)
Net cash provided by (used in) operating activities	797	1,914
Cash flows from investing activities		
Payments into time deposits	(1,255)	(1,352)
Proceeds from withdrawal of time deposits	956	1,845
Purchase of property, plant and equipment	(1,120)	(785)
Proceeds from sale of property, plant and equipment	8	12
Purchase of intangible assets	(224)	(206)
Proceeds from sale of investment securities	—	263
Proceeds from redemption of investment securities	100	300
Loan advances	(1)	(3)
Proceeds from collection of loans receivable	3	5
Other	(35)	(1)
Net cash provided by (used in) investing activities	(1,568)	75

(Amount: million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8)	(17)
Repayments of lease liabilities	(141)	(154)
Repayments of long-term borrowings	(21)	(88)
Purchase of treasury shares	(159)	(0)
Dividends paid	(694)	(893)
Dividends paid to non-controlling interests	(298)	(381)
Net cash provided by (used in) financing activities	(1,324)	(1,534)
Effect of exchange rate change on cash and cash equivalents	871	593
Net increase (decrease) in cash and cash equivalents	(1,224)	1,049
Cash and cash equivalents at beginning of period	12,916	12,080
Cash and cash equivalents at end of period	11,692	13,130

(4) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no relevant matters.

(Notes relating to cases in which there are significant changes in the amount of shareholders' equity)

There are no relevant matters.

(Additional information)

(Performance-based stock compensation plan for directors and corporate officers)

In accordance with a resolution at the 73rd ordinary general shareholders' meeting, held on June 25, 2019, we have introduced a performance-based stock compensation plan, "Board Benefit Trust (BBT)" (referred to as "this plan" in the remainder of this document), targeted at our directors (excluding audit and supervisory committee members and independent directors) and corporate officers who do not concurrently serve as directors (referred to collectively as "directors and others"), for the purposes of improving mid- to long-term results of operations, increasing our corporate value, and promoting management awareness that puts shareholders first.

(1) Overview of this plan

This plan is a performance-based stock compensation plan whereby the trust established by us (the trust established in accordance with this plan is referred to as "this trust" in the remainder of this document) acquires Company shares by using the money contributed by us as a fund and through this trust, Company shares and money equivalent to the amount of money resulting from translating Company shares at market value (referred to collectively as "Company shares, etc." in the remainder of this document) to directors and others according to the rules for granting shares. The time at which directors and others can be granted Company shares, etc. is, in principle, the time at which the directors and others retire.

(2) Company shares that remain in the trust

Company shares that remain in the trust are recorded as treasury shares in Net assets at the book value (excluding the amount of money of incidental costs) in the trust. At the end of the previous consolidated fiscal year, the book price of the treasury shares is 173 million yen, and the number of shares is 174,200. At the end of the current consolidated fiscal second quarter, the book price of the treasury shares is 153 million yen, and the number of shares is 154,200.

(Segment information, etc.)

[Segment information]

I Six months ended September 30, 2022

1. Information about the amounts of net sales and profit in each reporting segment and information about the disaggregation of revenue

(Amount: million yen)

	Reporting segment					Total
	Japan	Europe	Americas	China	Others (Note)	
Net sales						
Revenue from contracts with customers	7,890	3,560	2,704	4,710	3,747	22,613
Sales to external customers	7,890	3,560	2,704	4,710	3,747	22,613
Internal sales or transfers between segments	3,577	121	225	418	914	5,256
Total	11,467	3,682	2,930	5,128	4,661	27,870
Segment profit	1,488	259	340	309	694	3,091

(Note) The "Others" category addresses the business activities of local subsidiaries in Taiwan, India, Thailand, South Korea, Vietnam, Indonesia, Australia and South Africa.

2. Difference between the total amounts of profit of the reporting segments and the amount reported in the quarterly consolidated statement of income, as well as the main items of the difference (matters related to difference adjustment)

(Amount: million yen)

Profit	Amount
Reporting segment total	3,091
Company-wide expenses (Note)	(475)
Inter-segment transactions erased	(275)
Operating profit in the quarterly consolidated statement of income	2,340

(Note) Company-wide expenses are mainly selling, general and administrative expenses that cannot be attributed to the reporting segments.

II Six months ended September 30, 2023

1. Information about the amounts of net sales and profit in each reporting segment and information about the disaggregation of revenue

(Amount: million yen)

	Reporting segment					Total
	Japan	Europe	Americas	China	Others (Note)	
Net sales						
Revenue from contracts with customers	9,085	4,184	3,316	5,445	3,866	25,898
Sales to external customers	9,085	4,184	3,316	5,445	3,866	25,898
Internal sales or transfers between segments	4,171	373	213	514	898	6,171
Total	13,256	4,558	3,529	5,959	4,765	32,069
Segment profit	1,866	524	469	297	764	3,923

(Note) The "Others" category addresses the business activities of local subsidiaries in Taiwan, India, Thailand, South Korea, Vietnam, Indonesia, Australia and South Africa.

2. Difference between the total amounts of profit of the reporting segments and the amount reported in the quarterly consolidated statement of income, as well as the main items of the difference (matters related to difference adjustment)
(Amount: million yen)

Profit	Amount
Reporting segment total	3,923
Company-wide expenses (Note)	(583)
Inter-segment transactions erased	(474)
Operating profit in the quarterly consolidated statement of income	2,866

(Note) Company-wide expenses are mainly selling, general and administrative expenses that cannot be attributed to the reporting segments.