July 17, 2026

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Representative:	Kiyoshi Murata President and CEO
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Notice of Issuance of a Sponsored Research Report

TEIKOKU CORPORATION (the” Company”) decided to release a sponsored research report in order to improve communication with our shareholders and investors, and to help deepen their understanding of the Company. The research report was provided by Capital Goods Research & Advisory Co. The report does not carry any investment recommendation – it is solely prepared to provide an easy-to-understand explanation of the Company's business model, industry trends, performance trends, long-term business strategy, and other information that has already been made public. For details, please refer to the attached document.

CGRA

Corporate Report

Prime Market - Machinery
July 17, 2026

TEIKOKU（6333）

Analyst in charge

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Capital Goods Research & Advisory (CGRA)

A niche-top decarbonization-related company, with high-margin and aggressive returns, that is accelerating "corporate transformation"

- **Summary:** TEIKOKU CORPORATION (hereinafter, the "Company") is a niche-top company that boasts the global market share of approximately 30% (estimated by CGRA) for canned motor pumps with zero-leakage. Boasting an operating profit margin of nearly 20%, which is among the highest in the machinery sector, the Company has achieved ROE of over 10% with a target total payout ratio of 100%, while maintaining a net cash position. For the fiscal year ending March 2027, in addition to growing expectations for a recovery in orders, primarily from the chemical industry, in markets such as the U.S.—where technical standards are being tightened—and India, where high growth continues, its semiconductor-related business is growing steadily. The Company is scheduled to announce its next medium-term management plan in May 2027, and we look forward to specific growth strategies and the evolution of its sustainable management practices. Since canned motor pumps are used when handling difficult-to-handle substances under harsh conditions, the Company is considered one of the firms most likely to benefit from efforts toward the realization of a decarbonized society.
- **Business performance:** For the fiscal year ended March 2026, orders received decreased 13.8% year-on-year to 28.0 billion yen, net sales decreased 4.8% to 29.0 billion yen, operating profit decreased 17.7% to 4.9 billion yen, and operating profit margin was at 17.1%. For the fiscal year ending March 2027, orders received are expected to increase 12.4% year-on-year to 31.5 billion yen, marking the first increase in two fiscal years. Net sales and operating profit are forecast to increase 6.6% and 0.7% year-on-year, respectively, with an operating profit margin of 16.2%. Orders received in the fourth quarter of the fiscal year ended March 2026 (January to March 2026) have already recovered to the level seen in the same period of the previous year, and orders in April and May also appear to be on a recovery trend stronger than expected.
- **Sustainability management:** In April 2025, the Company unveiled its group vision statement, "TEIKOKU evolution," and established the following goals for where it aims to be in 10 years: (i) consolidated net sales of 70.0 billion yen by 2035, (ii) to strive to become the No.1 trusted partner in canned motor pumps, serving every corner of the globe with unmatched quality, speed, high technology, and resilient operations. To achieve these goals, the Company has already begun working on new initiatives to transform its corporate culture and HR systems, and plans to strengthen its sustainability initiatives going forward, including the establishment of materiality.
- **Shareholder returns and stock valuation**: The Company has set a cumulative total payout ratio target of 100% for the three-year period from the fiscal year ended March 2025 to the fiscal year ending March 2027, with a dividend payout ratio of 50% as a guideline, and is aggressively repurchasing its shares in amounts exceeding the total dividend payout. The forecasted dividend per share for the fiscal year ending March 2027 is 132 yen, with an expected dividend payout ratio of 54.0% and dividend yield of 4.3%. Although it does not set a target for DOE (dividend on equity), it maintains a DOE level that exceeds the dividend yield and aggressively repurchases its own shares, which keeps its PBR consistently above 1x. Furthermore, among the seven plant-related companies selected by CGRA, while the Company boasts the highest operating profit margin, its PER and EV/EBITDA ratio are among the lowest. There is a gap between its profitability and stock valuation, and the next medium-term plan will be key to having its valuation reassessed.

Consolidated financial results and stock market data

Trading data		Performance	22/3	23/3	24/3	25/3	26/3	27/3COE
Stock price（July/16/2026)	3,220 yen	Sales:¥100 million	222	284	292	305	290	310
52-weeks range:yen	2,691~3,500	Operating profit	24	50	48	60	49	50
Market cap	¥50.8 billion	Ordinary profit	29	54	54	62	54	52
Number of outstanding shares	15.78 million shares	Net profit	19	39	31	38	43	37
Avarage trading value（20 days)	¥100 million	EPS:yen	103.2	214.9	173.8	219.2	265.6	244.5
Company forecast PER	13.2 times	ROE:%	6.8	13.1	9.9	11.8	13.5	-
PBR（As of March 2026)	1.6 times	DPS:yen	50.0	116.0	92.0	110.0	133.0	132.0
Company forecast DPS	132.0 yen	Dividend payout ratio:%	48.4	54.0	52.9	50.2	50.1	54.0
Company forecast Dividend yield	4.1 %	FCF:¥100 million	22	51	-5	54	35	-
ROIC（March 2026)	10.0 %	NetCash:¥100 million	-140	-157	-142	-138	-117	-

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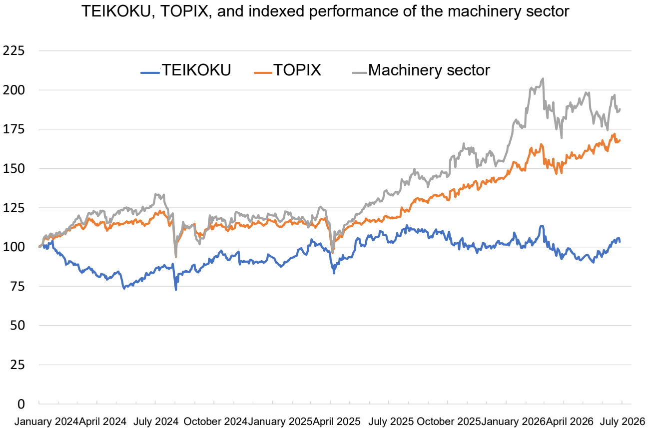
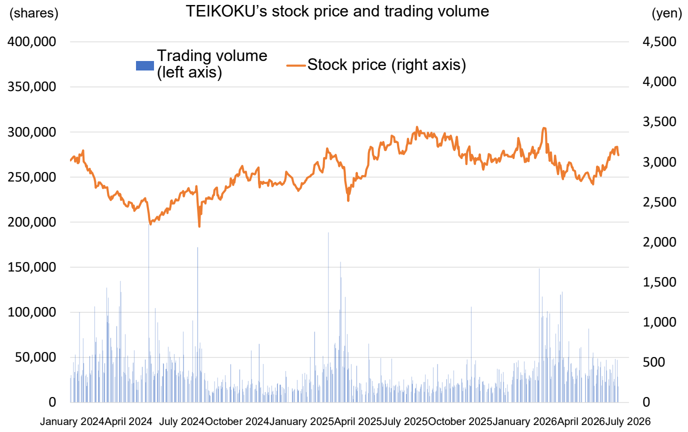
Figure 1: What is required for TEIKOKU stock to rise?

TEIKOKU stock has been underperforming TOPIX and the Machinery index. This is primarily due to concerns about deterioration in business performance, in addition to a pullback in capital investment for decarbonization. While high operating profit margin and aggressive shareholder returns have been contributing to high ROE and PBR, a decline in PER has become apparent. For the stock to rise going forward, in addition to growing expectations for a recovery in orders, the Company will need to disclose a convincing growth story in its next medium-term plan and strengthen its credibility (it plans to announce the outline of its next medium-term plan at its interim earnings briefing to be held in November 2026).





Source: Created by CGRA

Company Overview and Business Model

A global leader in seal-less pumps that realize zero-leakage

Company overview: Began transforming its corporate culture to realize its vision

In 1939, an engineer who had left a railway signal manufacturer established TEIKOKU ELECTRIC MFG. CO., LTD. and began selling its proprietary canned motor pump “Teikoku Motor Pump” in 1960. In the 1990s, it expanded its operations globally, including the establishment of overseas sales subsidiaries. It has been actively pursuing M&A and new application development, including the acquisition of the Chempump Div. of Crane Co. of the U.S. in 2003 and, in the same year, developing a canned motor pump for LNG applications. At the same time, it has been maintaining a strong corporate culture—inherited since its founding—of “striving to enhance corporate value with an eye toward the future,” as evidenced by its decision to withdraw from the electronic components business in 2024. It changed its trade name to TEIKOKU CORPORATION in April 2026 and, under the Group Vision “TEIKOKU evolution,” has begun working on reforms aimed at achieving consolidated net sales of 70.0 billion yen by the fiscal year ending March 2036.

Changed its trade name in April 2026 and plans to announce its next medium-term management plan in May 2027

Product description: Canned motor pump with zero-leakage presents extremely high barriers to entry

The Company’s flagship product, canned motor pumps, is a special type of pump that achieves zero-leakage by integrating the pump section and the motor that is hermetically sealed within a can-like casing. Unlike general-purpose pumps, it is suited for applications that require the transfer of high-temperature, high-pressure liquids that are explosive, flammable, or toxic, as well as compliance with explosion-proof standards and various international standards, creating extremely high barriers to entry. Building on its canned motor pumps, it is also working to expand its product lineup to include pumps for absorption type chillers and agitators equipped with canned motors.

Extremely high barriers to entry have enabled it to achieve a global market share of approx. 30% (estimated by CGRA; domestic market share of 70%) and high profitability.

Business model: Strong technical capability has driven operating profit margin to nearly 20%

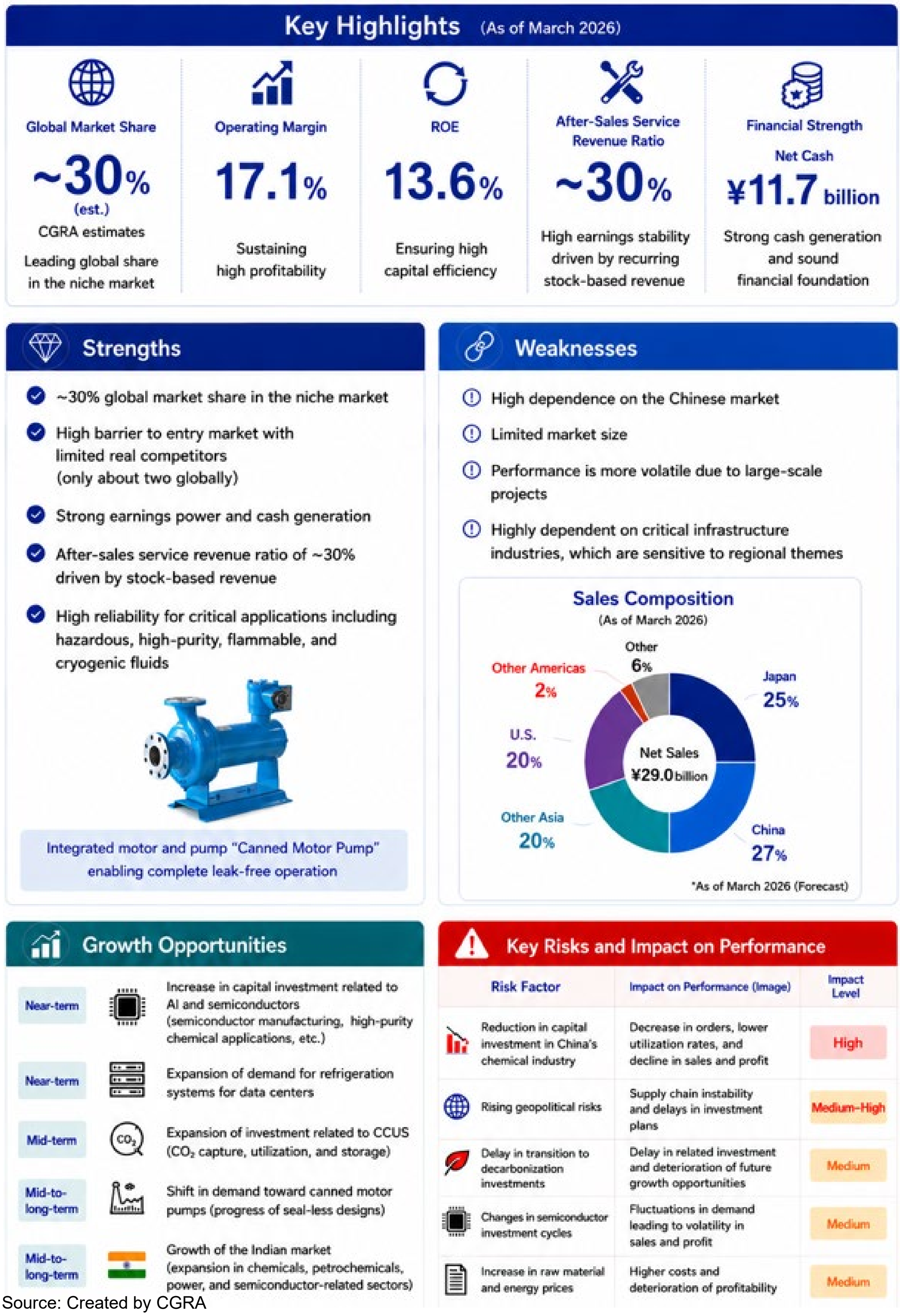
The Company manufactures and sells custom-made pumps, agitators, and other equipment equipped with motors it develops and manufactures in-house; 74% of net sales comes from pump products (of which more than 90% are canned motor pumps), while the remaining 26% comes from high-margin maintenance services. Of its pump products, 55% are for chemicals; approximately 7% are pumps for absorption type chillers—for which inquiries have been on the increase for use in data centers; approximately 3% are for semiconductor-related cleaning equipment; and approximately 3% are oil pumps for the Shinkansen. Although its business performance is highly dependent on the downstream chemical sector, it targets markets for high-performance chemicals and hazardous fluid equipment, and a significant portion of its sales comes from repair services. Its strong pricing power supports an operating profit margin of nearly 20%. Although one challenge is its high dependence on the Chinese market—accounting for about 30% of sales—the Indian market (which accounts for about 6%) has been showing strong growth in recent years.

Figure 2: Group vision statement for transformation

Source: Company materials

Key Highlights and SWOT Analysis

Figure 3: A niche-top company with high profitability and capital efficiency



Source: Created by CGRA

Equity Story Envisaged by CGRA

Direction of future business performance and drivers of the stock price

Going forward, expectations for capital gains are likely to grow on the back of recovery in orders

The Company is a specialized manufacturer of canned motor pumps that operates in a high-end niche market with high barriers to entry; it has secured strong profitability and cash generation capability while establishing a robust balance sheet with a net cash position.

With this business foundation, we believe that in 2026, while maintaining high profitability, the Company will prioritize income gains through aggressive shareholder returns (total payout ratio of 100%, dividend yield of 4.3%) and be in a phase of "bottoming out and recovery in orders." In addition to the strong Indian market and growing AI and semiconductor-related demand, a recovery in orders for chemicals—particularly in the U.S. market where technical standards (ASME) are being tightened—is expected, raising the likelihood of capital gains through a recovery in business performance and an improvement in ROE.

The outline of the next medium-term plan is expected to be presented at an interim earnings briefing session to be held in November 2026. Furthermore, the next three-year medium-term management plan is expected to be announced concurrently with the financial results for the fiscal year ending March 2027, which are scheduled to be released in mid-May 2027.

From 2028 onward, decarbonization-related capital investment, including projects for the expansion and construction of new LNG power generation facilities in Japan, as well as demand for ammonia-related facilities, ships, CCUS (carbon capture, utilization, and storage), SAF and nuclear power—all aimed at achieving a decarbonized society—is expected to be a new driver of business performance. Further, it is expected to set a new record for operating profit around the fiscal year ending March 2029. It is highly likely to be positioned as a highly profitable decarbonization-related company with significant room for growth over the medium to long term.

In the fiscal year ending March 2028 and beyond, we hope to see the record-high profits recorded in fiscal year ended March 2025 to be renewed soon.

Figure 4: Stable growth in business performance is expected over the medium to long term

		FY2025 Results	FY2026 Forecast	FY2027 Forecast	FY2028–2030 Forecast
Key Performance Drivers		Discontinuation of electronic components business; Slowdown in demand in China; Slowdown in Japan and the U.S.	AI & Semiconductors; India & U.S.; Chemicals	AI & Semiconductors & Data Centers; All regions; Chemicals & Decarbonization	AI & Semiconductors & Data Centers; All regions; Decarbonization
Performance Trends	Orders Received	-13.8%	+12.4%	Recovery	◎
	Net Sales	-4.8% vs. previous year	+6.6% vs. previous year	Increase	◎
	Operating Profit	-17.7% vs. previous year	+0.7% vs. previous year	Increase	◎
	Operating Margin	17.1% (-2.7pt)	16.2% (-0.9pt)	Improvement	◎
Stock Valuation	PBR (x)	1.4	1.4	-	-
	ROE (%)	13.6	12.0	-	-
	PER (x)	10.5	11.6	-	-
Shareholder Returns	Payout Ratio (%)	50.1	54.0	-	-
	Total Return Ratio (%)	128.3	-	-	-
	Dividend Yield (%)	4.8	4.7	-	-
	DOE (%)	6.5	6.5	-	-
Medium-Term Management Plan		Current Medium-Term Plan (FY2024–FY2026)		Next Medium-Term Plan (FY2027 and beyond)	

Source: Created by CGRA

Three Key Points About TEIKOKU

Point (i): A specialized manufacturer of canned motor pumps that boasts high profitability

The Company boasts one of the highest operating profit margins in the machinery sector

The Company's operating profit margin for the fiscal year ended March 2026 was 17.1%, which reached 19.8% in the fiscal year ended March 2025 when it posted record-high financial results. As highly profitable specialized manufacturers in the machinery sector, operating profit margins of SMC (pneumatic equipment), PILLAR (fluoropolymer fittings), and THK (linear guides) stood at 22.6%, 20.4%, and 11.0%, respectively. The Company achieves profitability among the highest in the machinery sector. Furthermore, when compared to other companies in the plant equipment sector, the Company has achieved an operating profit margin that exceeds that of its competitors, suggesting that its business structure itself is the source of its high profitability. Factors contributing to this include the fact that the Company's products are subject to requirements for explosion-proof certification and a proven track record of extensive deliveries, in addition to high reliability and product quality, and are based on its ability to design and propose solutions tailored to customer specifications through its strong pricing power, and its highly recurring business foundation. Furthermore, it pursues a management strategy aimed at improving profitability and maximizing capital efficiency, by withdrawing from its low-profitability electronic components business and largely completing the sale of strategic shareholding during the fiscal year ended March 2026, thereby concentrating management resources on its core businesses.

Point (ii): The maintenance business is the source of high profitability and stable performance

Established a business model similar to those of leading companies in the machinery sector

The maintenance business—which handles the replacement of parts such as bearings and sleeves in sliding parts, as well as the repair and overhaul of previously delivered pumps—accounts for 26% of the Company's consolidated net sales. The maintenance business is expected to grow stably as the cumulative number of units delivered increases; over the past five years, it has shown solid growth, with an average annual growth rate of 10.0%. CGRA estimates that the Company's maintenance business secures an operating profit margin of around 30 to 40%.

The Company helps to ensure the stable operation of pumps it has delivered by equipping its pumps with wear-detection sensors. At the same time, it secures maintenance projects by leveraging its strengths—such as on-site visits to each customer's plant and solution proposals.

Komatsu, a major construction machinery manufacturer and one of the leading companies in the machinery sector, derives approximately 52% of its net sales from aftermarket services, while Daifuku, a major material handling company, derives about 27%, serving as a source of high profitability and improved stability in business performance at both companies. We believe that TEIKOKU has established a business model that is on par with those of these leading companies.

Point (iii): With a target total payout ratio of 100%, continued share buybacks are also expected

Implementing aggressive shareholder returns, including share buybacks

Under its current medium-term management plan (from the fiscal year ended March 2025 through the fiscal year ending March 2027), the Company adopted a shareholder return policy targeting a cumulative total payout ratio of 100% over the three-year period, including the guideline dividend payout ratio of 50%, while taking into account factors such as capital investment and improvements in capital efficiency, as it strives to maintain and strengthen its earnings power. The dividend per share was 110 yen for the fiscal year ended March 2025 (initial forecast of 82 yen, increased to the third-quarter forecast of 96 yen), and 133 yen for the fiscal year ended March 2026 (increased from the initial forecast of 110 yen), with the forecast of 132 yen per share for the fiscal year ending March 2027. The dividend yields were 3.8%, 4.8%, and a forecast 4.3%, respectively (based on the closing price on July 1, 2026), achieving relatively high dividend yields.

The dividend payout ratio has been above 50% at 50.2% and 50.1% in the fiscal years ended March 2025 and March 2026, respectively, and with the forecast for the fiscal year ending March 2027 of 54.0%. The total payout ratio, including the share buybacks, was 114.0% and 128.3% for the fiscal years ended March 2025 and March 2026, respectively. Assuming a cumulative total payout ratio of 100% over the three-year period, there is room for additional returns equivalent to a total payout ratio of 57.7% in the final fiscal year ending March 2027. CGRA believes there may be room for additional shareholder returns when given the gap between the forecast dividend payout ratio of 54.0%.

Figure 5: Comparison of operating profit margins of plant-related companies

TEIKOKU has the highest profitability among plant-related companies

Product	Company	Segment	FY2025 (Result)	FY2026 (Forecast)
Pumps	TEIKOKU	–	17.1 %	–
Seals	NICHIAS	Plant construction and sales	15.1 %	15.0 %
Valves	KITZ*	Valve business	13.4 %	13.4 %
Plant Control Systems	YOKOGAWA Electric	Control business	13.3 %	13.4 %
Pumps	EBARA*	Energy business	11.9 %	10.2 %
Pumps	NIKKISO*	Industrial business	10.9 %	10.2 %
Plant EPC	JGC HOLDINGS	Total Engineering Business	5.0 %	6.8 %

* Ebara, Nikkiso, and Kitz are fiscal year-end December companies.
Their FY2025 results are for the 12 months ended Dec 2024 (25/12 period).

Source : Company earnings releases and corporate materials

Figure 6: Highly profitable maintenance business has been showing stable growth

One of the key features of the Company's business model is the stable growth of its highly profitable maintenance business.

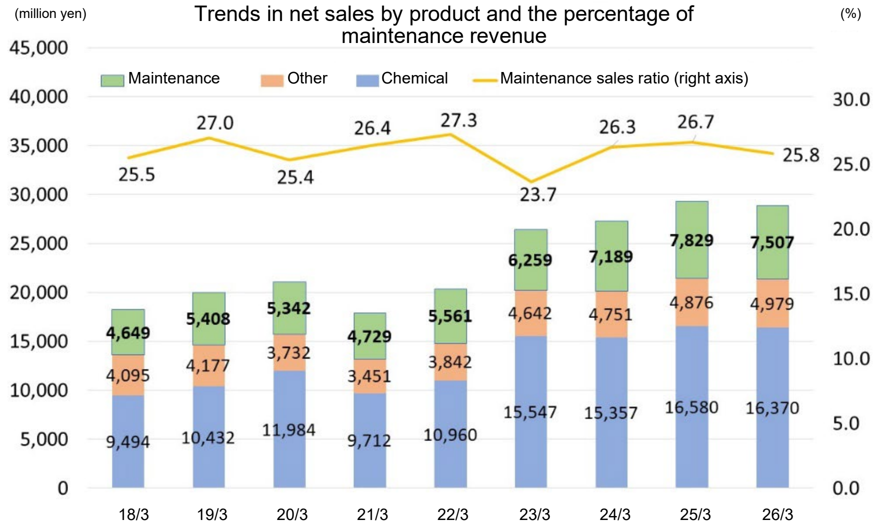
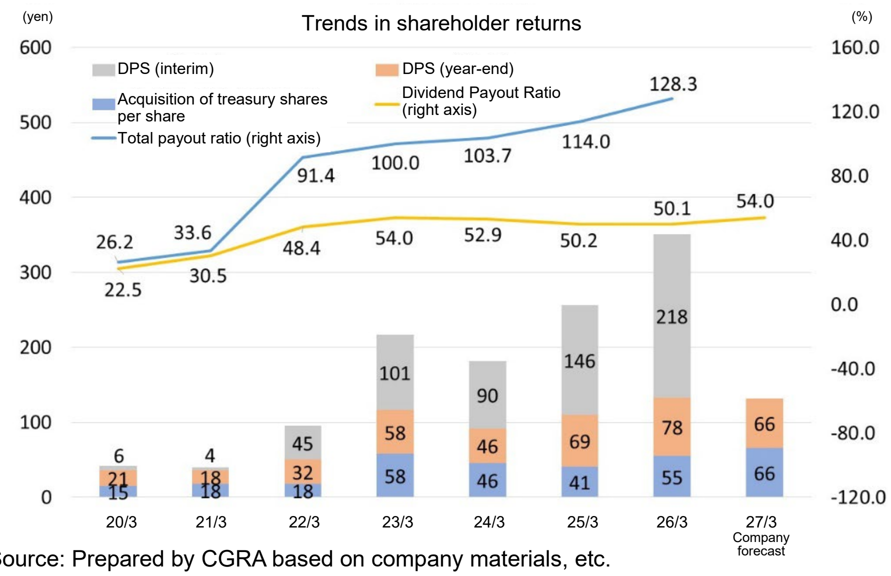


Figure 7: Implemented share buybacks per share that exceed dividend per share (DPS) over the past two years

Implementing aggressive shareholder returns with a total payout ratio exceeding 100%



Source: Prepared by CGRA based on company materials, etc.

Interview with Mr. Murata, CEO

Planning to steadily implement measures to increase the likelihood of success going forward

Q: Please tell us about your vision and the thoughts behind it.

A: To date, we have been focusing on stable earnings as we expand business. At the same time, there was a strong organizational culture assuming the status quo, and we felt there were issues in terms of fostering each employee's willingness to take on new challenges and sense of fulfillment in their work. Looking back, I myself have always found the greatest sense of fulfillment when I have taken on a challenge and achieved my goals. That is precisely why we believe we need to transform into an organization that embraces challenges, rather than simply continuing along the same path.

TEIKOKU CORPORATION
President and CEO
Kiyoshi Murata

With that in mind, we formulated our group vision statement, "TEIKOKU evolution," in April 2025. We target net sales of 70.0 billion yen by 2035, with our sights set on reaching 100.0 billion yen beyond that. To achieve these goals, it is essential that each and every one of us take on new challenges and transform our organization into one that realizes what we have been unable to achieve. Aiming to have this embraced throughout the organization, we focus on dialogue with all employees and hold town hall meetings. While there are some critical voices, there is also a growing number of people who understand the direction we're taking and express a positive attitude to "take on challenges." While working to firmly establish a culture of taking on challenges deeply rooted and transform into a company where people find fulfillment in their work, we will implement measures so that investors will find it realistic for us to realize our vision.

Q: How do you perceive future business opportunities?

Growth opportunities are expected not only in medium- to long-term decarbonization projects but also in AI and semiconductor-related fields

A: Although the market environment surrounding us is uncertain in the short term, we believe there is significant room for growth in the medium to long term. It is driven by progress in decarbonization, energy transition, and regional decentralization. Our strength lies in our technology for canned motor pumps, which must be completely leakage-free. Applications in which fluids that are toxic or hazardous are handled require a high level of reliability, which is where our technological edge truly shines. Specifically, opportunities for adoption are expanding in decarbonization-related markets, including applications for the supply of ammonia and methanol as ship engine fuels, as well as CCUS, methanation, SAF, and LNG. In addition, new business opportunities in the nuclear energy sector are expected to arise. Despite its small scale, we are seeing steady growth in pumps for absorption chillers used in data centers, as well as in projects for ultrapure water cleaning and supercritical CO2 cleaning for AI and semiconductors.

By region, in China, while we are facing challenges at the moment, we believe there is significant room for growth in the medium to long term as renewable energy and hydrogen-related investment is expected to progress. The Indian market has already evolved into a high-growth market and may even surpass the Chinese market by around 2035. No. 2 Plant will begin operations, and we are considering upfront investments beyond that. In the U.S., we released products that comply with new local standards, to capture replacement demand from mechanical seal pumps by canned motor pumps, while shortening delivery times through local knock-down production. In Japan, we have high expectations for the market for methanol-fueled ships. We have a track record of supplying fuel-ammonia-related testing equipment for land transportation, and also delivered pumps for the methanol-fuel supply system on the "Daiichi Metamaru," Japan's first methanol-fueled domestic vessel. In Asia, we will continue to expand our service network. Our business has high barriers to entry, and once our products are adopted, we can expect demand for maintenance and replacement over a long period of time, making stable profitability one of a key feature of our business.

Q: How do you envision a growth strategy to achieve your vision?

Steadily implementing measures to realize the vision

A: To achieve our net sales target of 70.0 billion yen in 2035, we must not simply wait for the market to grow, but rather strengthen four key areas: supply capacity, growth markets, revenue base, and organizational capabilities.

Firstly, strengthening our global supply capability. We will promote the reorganization of our operations in China, expansion of our new plant in India, and strengthening of local production in the U.S., with the goal of doubling production capacity and shortening lead times. The ability to meet tight deadlines is a key factor in enhancing competitive advantage.

Secondly, focused investment in growth markets. Decarbonization-related markets—such as ammonia fuel supply, methanol-fueled ships, CCUS, SAF, LNG, and nuclear power—are areas where our technology truly shines. We will leverage our strengths in applications in which fluids that must not leak are handled, and continue to work on the development of new markets.

Thirdly, increasing recurring revenue. Our products are typically used for a long period of time once adopted, and we can also expect demand for repairs and replacements. Going forward, we will expand our service locations, primarily in Asia, to strengthen our stable revenue base.

Fourthly, strengthening our execution capability. When it comes to human resources, digital transformation (DX), M&A, PMI, and other initiatives, there are limits to what we can achieve on our own. We will work to strengthen our execution capability, including by leveraging external resources. Going forward, we will balance growth investment with profitability improvements through a resource allocation strategy focused on profitability, thereby realizing our vision for 2035.

Q: Please comment on sustainability management.

Will accelerate efforts to enhance sustainability initiatives to strengthen our business foundation

A: In April 2025, we adopted the TEIKOKU Group Vision Statement, “TEIKOKU evolution,” and established our vision for where we want to be in 10 years. While discussing our direction from a medium- to long-term perspective, we reaffirmed the importance of our sustainability initiatives.

Going forward, while strengthening our various ESG initiatives, we plan to publish an integrated report not only to define materiality and establish implementation KPIs, but also to help shareholders better understand our activities.

First, with respect to the environment (E), we plan to strengthen our environmentally friendly production activities aimed at realizing a decarbonized society, increase decarbonization-related orders, and enhance our efforts toward various forms of disclosure.

Meanwhile, in relation to society (S), we believe that people are the driving force behind transformation, and it is necessary to change our employees’ mindset to realize our vision. In addition to ongoing wage increases (a 4.5% year-on-year increase in 2026, following 6% year-on-year increases in 2025 and 2024), we will promote the reform of our organizational culture by revising our compensation system that offers fulfilling work and better rewards employees’ willingness to take on challenges under a new HR system which is currently under development. Lastly, with regard to governance (G), investors have pointed out weaknesses in effectiveness and oversight functions as we work toward realizing our vision. Going forward, we will further enhance the Board of Directors’ discussions on management strategies to further evolve and enhance them. To advance discussions on topics such as the cost of capital, capital allocation and KPI management, we will strengthen the secretariat function and leverage external expertise to evolve into a highly effective governance structure.

Interview with Mr. Abe, Director and Executive Officer

Pursuing measures that strike a balance between shareholder returns and growth investments

Q: Please reflect on business performance in the fiscal year ended March 2026 and provide an outlook for the fiscal year ending March 2027.

Order intake in April - May 2026 appears to be progressing at a level higher than expected

A: Our financial results for the fiscal year 2025 (ended March 2026) were generally in line with our plan. At the same time, performance varied by region and application, and a decline in the Chinese market, in particular, was greater than expected. The stagnant Chinese economy had a negative impact that spread with a lag from capital investment, particularly in the petrochemical sector, which also affected us. In the U.S., in addition to a decline following highly profitable large-scale projects, there was a postponement of capital investment due to the impact of tariffs and a waning momentum toward decarbonization.

In terms of profits, we were affected by a decline in high-margin EPC projects, reduced maintenance demand due to lower customer utilization rates, and lower utilization rates at our China plant. On the other hand, our order backlog remains at a high level as we have projects with long delivery periods.

We forecast that orders received for the fiscal year 2026 (ending March 2027) will total 31.5 billion yen, a 12.4% increase from the previous fiscal year. Currently, domestic orders are strong, and the U.S. is also performing well, exceeding the plan. India and Southeast Asia are also performing strongly. While we forecast conservatively for India, in particular, it continues to grow strongly. While we remain cautious on China, there are signs of bottoming out. In each region, chemical-related capital investment is showing signs of recovery.

In addition, we are seeing an increase in the number of inquiries in new domains such as SAF, semiconductors, data center cooling applications, and ship-fuel supply application, and we are strengthening our response, including the expansion of our production capacity.

Q: Please discuss your assessment of the medium-term plan and the direction of the next medium-term plan.

Aiming to enhance corporate value by focusing on growth investment, overseas strategy, and M&A in the next medium-term plan

A: The current medium-term management plan was launched with the following targets for its final fiscal year, the fiscal year 2026 (ending March 2027): orders received of 33.4 billion yen, net sales of 32.0 billion yen, operating profit of 5.7 billion yen, operating profit margin of 17.9%, and ROE of 14.0%.

However, significant changes have occurred in the external environment compared to the assumptions made at the time of formulation, including a larger-than-expected decline in the Chinese market, the postponement of capital investment due to the impact of U.S. tariffs, and shifts in decarbonization policies. Consequently, we revised downward our orders forecast for the final year of the medium-term plan to 31.5 billion yen (a decrease of 1.9 billion yen), and forecasts for net sales to 31.0 billion yen (a decrease of 1.0 billion yen) and operating profit to 5.0 billion yen (a decrease of 0.7 billion yen), respectively. Operating profit margin and ROE forecasts were also lowered by 1.7 percentage points to 16.2% and by 2.2 percentage points to 11.8%, respectively. Although we steadily implemented our growth strategy, it was not enough to offset the deterioration in the external environment. However, the order environment is showing signs of improvement. In the next medium-term plan, we intend to return to a growth trajectory.

Meanwhile, in April 2025, we formulated our group vision, "TEIKOKU evolution." In the past, we tended to be more focused on maintaining the status quo while emphasizing profitability. We plan to become more growth-oriented going forward. We are making steady progress in laying the groundwork for future growth through investments in human capital, reforms of our human resources systems, and changes to our organizational culture that encourages employees to take on new challenges.

In our next medium-term plan, we will explore ways to capture the decarbonization market, strengthen our overseas strategy, and expand our business scale through M&A. In particular, key priorities include rebuilding our overseas production and sales systems and strengthening our execution capabilities, including the utilization of external resources. We also plan to move forward with identifying materiality and establishing KPIs, with the aim of enhancing effectiveness from both quantitative and qualitative perspectives.

Q: What are your thoughts on cash allocation?

A: Backed by our business structure characterized by high profitability and a highly recurring business model, we have a stable cash generation capability. Since canned motor pumps are used for a long period of time once adopted, there will be ongoing demand for replacement and repair. Furthermore, due to our business structure centered on high-value-added products, we have a relatively strong ability to pass on price increases, which leads to stable cash generation. As a result, we were not sufficiently conscious of working capital and capital efficiency in some cases on the back of our solid financial foundation. Going forward, we will move beyond our previous focus on equity and pursue an optimal capital structure by utilizing debt (interest-bearing liabilities) as necessary. We aim to enhance corporate value over the medium to long term by converting our strong cash generation capability from "accumulated funds" into "funds to accelerate growth."

Planning to prioritize growth investment that takes profitability into account in the next medium-term plan in order to achieve its vision

In terms of cash allocation, we will rigorously ensure resource allocation that prioritizes profitability. Our top priority is growth investments, and we will allocate resources to human capital, expansion of production capacity, enhancement of overseas operations, digital transformation (DX), M&A, and others initiatives on a priority basis. We will proceed with capital investment to expand our capacity in India, restructure our bases and address aging facilities in China, and strengthen production capacity in Japan. As we announced in December 2025, we plan to acquire a new site for a plant in anticipation of future business expansion. Although the handover will be in May 2029, we plan to transfer part of the production function of the plant at our headquarters and relocate two domestic subsidiaries to the approximately 36,000-square-meter plant site. In terms of investment in human resources, we are strengthening our mid-career hiring and the utilization of external talent, and have successfully recruited outstanding individuals with backgrounds not traditionally found at our company.

Q: Could you share your thoughts on shareholder returns?

A: Regarding shareholder returns, during the current medium-term plan period (from the fiscal year ended March 2025 through the one ending March 2027), our policy is to take into account capital expenditure plans and improvements in capital efficiency with a target cumulative total payout ratio of 100% over the three-year period, of which 50% will be in the form of dividends, while maintaining and strengthening our earnings power. In fact, during the two fiscal years from the fiscal year ended March 2025 to the fiscal year ended March 2026, we repurchased our shares totaling approximately 5.9 billion yen. While proceeding with the sale of strategic shareholdings, we take pride in the fact that we acted as the purchase of the shares sold as a result of the unwinding of cross-shareholdings.

New shareholder return policy is scheduled to be announced in May 2027

For the fiscal year ending March 2027 which marks the final year of the medium-term plan, we plan to pay a dividend of 132 yen per share, a decrease of 1 yen from the previous fiscal year. The projected dividend payout ratio is 54.0%, which is expected to exceed the target of 50%. If our business performance exceeds our plan, we intend to return profits in accordance with our return policy.

We will explain our new return policy in the next medium-term plan which will be announced in May 2027. By optimizing the balance between growth investments and shareholder returns, and by capturing business opportunities and enhancing our profitability to realize our vision, we aim to increase corporate value over the medium to long term and maximize shareholder value.

Medium-Term Management Plan

First phase of laying the groundwork to achieve consolidated net sales of 70.0 billion yen in 2035

The Medium-Term Management Plan (from the fiscal year ended March 2025 to the fiscal year ending March 2027), announced on May 29, 2024, is based on the fundamental theme of “balancing a growth strategy centered on environmental contributions with sustainable management.” While prioritizing the enhancement of profitability, it was launched with numerical targets of 33.4 billion yen in orders received (3-year CAGR of 5.7%), 32.0 billion yen in net sales (3-year CAGR of 5.1%), 5.7 billion yen in operating profit (operating profit margin of 17.9%), and 14.0% in ROE (the forecasts for the fiscal year ending March 2027 have been revised to 31.5 billion yen in orders received, 31.0 billion yen in net sales, and 5.0 billion yen in operating profit).

A policy to concentrate management resources on core businesses, as observed in the withdrawal from the electronic components business

Growth Strategy (i): Aiming to cultivate and stimulate demand and establish infrastructure for stable supply

To cultivate and stimulate demand, it plans to (i) accelerate growth in pump demand toward the realization of a decarbonized society (adoption has begun in various sectors); (ii) expand the applications and markets for canned motor pumps (i.e., replacement demand from other types of pumps); (iii) increase production capacity by 40% through improved production efficiency at its Chinese subsidiary, and an expansion of production capacity at its Indian subsidiary (where revenue has been growing at an average annual rate of 25%); (iv) capture replacement demand for the mainstay mechanical seal pumps—which account for 95% of demand—with canned motor pumps, driven by stricter environmental regulations, particularly in the U.S. market; and (v) strengthen marketing and product development efforts aimed at cultivating the decarbonization market.

To establish infrastructure for stable supply, amid a growing trend toward highly complex projects, it plans to: (i) make the manufacturing supply chain more stable and streamlined; (ii) improve design efficiency to accommodate diverse order types; and (iii) strengthen the supply chain to maintain the capability to produce in small lots and based on custom orders.

Growth Strategy (ii): Strengthening the foundation for an organization focused on growth

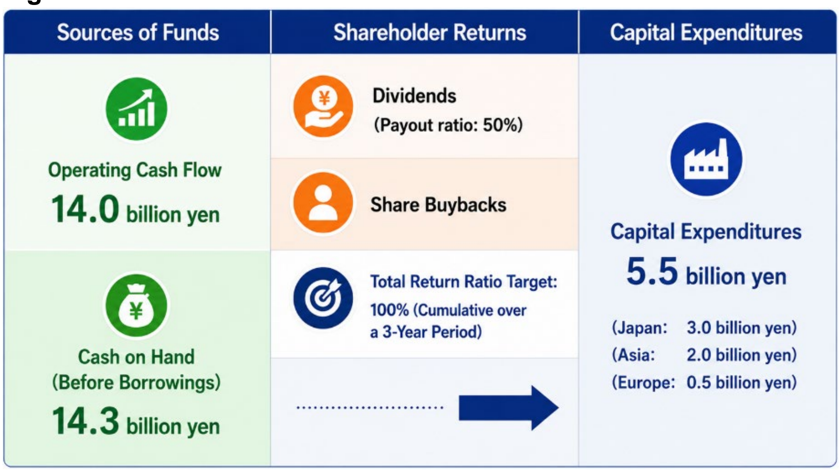
As a measure to strengthen its management foundation, the Company has set forth “strengthening the foundation for organizational growth by strengthening and respecting human capital and others resources.” Its basic policy is to first “strengthen employee development and enhance motivation by increasing investment in human capital,” and to “create a comfortable work environment.”

In addition to its growth strategy, planning to strengthen sustainability efforts and maximize shareholder value

Cash allocation: stepping up shareholder returns

With cash and deposits of 14.3 billion yen on the balance sheet as of the end of the fiscal year ended March 2024, in addition to cumulative operating cash flows of 14.0 billion yen over the three-year medium-term plan period, it plans capital investment of 5.5 billion yen (3.0 billion yen for improving production efficiency and the environment in Japan, 2.0 billion yen at subsidiaries in China and India, and 0.5 billion yen for expanding service locations in Europe and the U.S.), and shareholder returns (a dividend payout ratio of 50% and a total payout ratio of 100% through the purchase of treasury shares).

Figure 8: Cash allocation



Source: Company materials

Key Drivers of Demand

Demand is expected to rise, driven by AI, semiconductors, and the realization of a decarbonized society

The following three points are worth noting as business opportunities for the Company over the medium to long term.

(i) Creation of new demand to realize a decarbonized society

(ii) Increased replacement demand driven by demand for hazardous fluid infrastructure

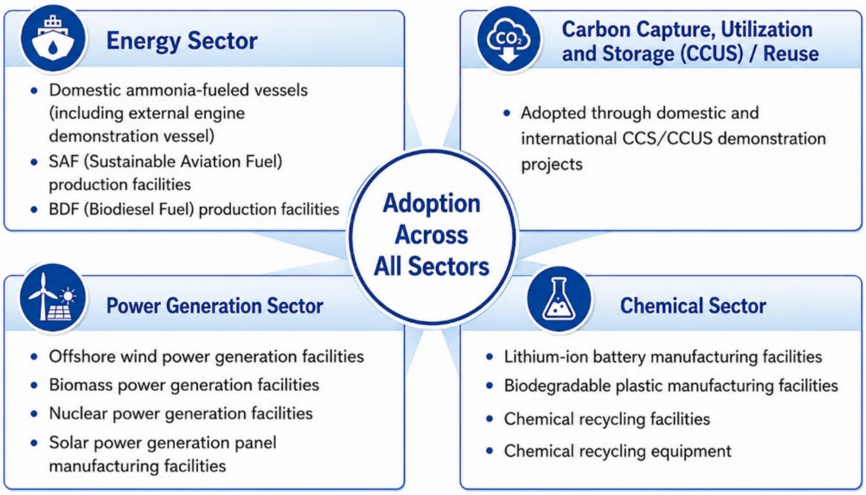
(iii) Continuing growth in the Indian market and a bottoming out and recovery of demand in China

There appears to be significant room for growth of new demand in the decarbonization area over the medium to long term

Significant medium- to long-term growth potential under the theme of decarbonization

New demand is expected to grow in areas such as applications using hazardous fluids like ammonia and new environmentally friendly fuels, the utilization of carbon dioxide, the fine chemicals industry, pure water cleaning, and cooling systems for data centers, all of which are aimed at realizing a decarbonized society.

Figure 9: New demand expected to be created toward the realization of a decarbonized society



Source: Created by CGRA based on company materials

Demand for completely leak-free pumps is expected to grow, together with replacement demand in the U.S.

Rising expectations for capturing replacement demand in the U.S. market, driven by tighter technical standards

Going forward, as the use of fuels and materials that are exposed to high or extremely low temperatures as well as those that are highly flammable and difficult to handle becomes more widespread, demand for highly durable, completely leak-free pumps is expected to grow, and replacement of mechanical seal pumps is expected to accelerate. In the U.S., amid tightening technical regulations (ASME), mechanical seal pumps which carry a risk of leakage account for 95% of the pump market for chemicals (estimated market size of 240.0 billion yen). Canned motor pumps (estimated market size of 12.0 billion yen; the Company's market share of 50%, estimated by CGRA) do not require ancillary work, such as piping modifications, when replacing existing pumps, and it is expected that their adoption will gradually increase in the future.

Expectations are rising for expansion in the Indian market and a recovery in demand in China

Net sales in India continue to grow at an annual rate of 20 to 25% and amounted to 1.8 billion yen, up 20% year-on-year, for the fiscal year ended March 2026. They are expected to remain strong for the fiscal year ending March 2027. The business environment remains favorable across various sectors, including nuclear power, defense, and chemicals. Meanwhile, in the Chinese market where the Company holds a market share of about 30% (estimated by CGRA), the petrochemical industry had a surge in capital investment from 2020 to 2024. Although it has been in an adjustment phase, comments suggesting a recovery are emerging from plant-related companies such as Yokogawa Electric. We will keep a close eye on future order recovery trends.

Business Performance

Posted renewed record-high revenue, operating profit, and operating profit margin in the fiscal year ended March 2025

Looking back at the Company's past business performance, in the fiscal year ended March 2022—the first fiscal year following the COVID-19 pandemic—net sales and operating profit were 22.2 billion yen and 2.4 billion yen, respectively, and operating profit margin was 11.2%. Then, in addition to a stronger recovery trend in demand across various regions primarily in its core pump business, it successfully acquired high-value-added projects and implemented measures to improve profitability. As a result, in the fiscal year ended March 2024—the final year of the previous mid-term management plan—net sales and operating profit grew considerably to 29.2 billion yen and 4.8 billion yen, respectively, with operating profit margin improved to 16.7%. These results significantly exceeded the medium-term plan targets of 25.8 billion yen in net sales, 3.2 billion yen in operating profit, and operating profit margin of 8 %. Furthermore, in the fiscal year ended March 2025, performance was driven by growing demand for chemicals and maintenance services in Asia (including India) and the U.S., as well as large nuclear power projects and the completion of work for a substantial order backlog in Japan. As a result, net sales and operating profit reached 30.5 billion yen and 6.0 billion yen, respectively, and operating profit margin stood at 19.8%—all setting new record highs.

In the fiscal year ended March 2025 when record-high financial results were recorded, operating profit margin was as high as 19.8%

Business performance for the fiscal year ended March 2026: Operating profit decreased 18% year-on-year, however quarterly orders received are on a recovery trend

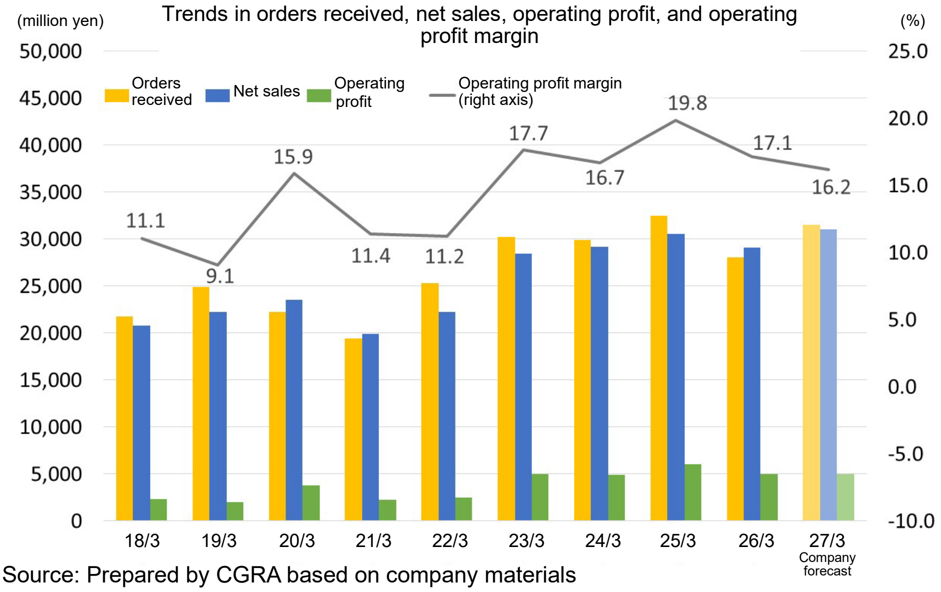
Orders received during the fiscal year ended March 2026 had been lower in all regions since the first quarter (April to June), resulting in a 13.8% year-on-year decrease to 28.0 billion yen. Net sales decreased 4.8% year-on-year to 29.0 billion yen due to lower orders received, while supported by the completion of work for the order backlog. Operating profit fell 17.7% year-on-year to 4.9 billion yen, and operating profit margin declined by 2.7 percentage points to 17.1%. However, quarterly orders received have turned positive year-on-year with 7.2 billion yen in 3Q (down 12.2% YoY, up 10.3% QoQ) and 7.2 billion yen in 4Q (up 0.9% YoY, with a slight QoQ increase, indicating that order levels are likely to have bottomed and be entering a recovery phase.

Quarterly orders received have begun to show signs of recovery

Earnings forecast for the fiscal year ending March 2027: Orders received are expected to increase 12.4% year-on-year

Orders received for the fiscal year ending March 2027 are forecasted to increase 12.4% year-on-year to 31.5 billion yen. For the fiscal year ending March 2027, net sales are expected to increase 6.6% year-on-year to 31.0 billion yen given a high order backlog of 14.4 billion yen (equivalent to approximately 5.6 months of monthly sales) as of the end of the fiscal year ended March 2026, due to a recovery in demand in the U.S. market, the normalization of production at the Chinese subsidiary, and an assumed exchange rate of 155 yen to the U.S. dollar. Operating profit is forecast to increase 0.7% year-on-year to 5.0 billion yen, with expected operating profit margin of 16.2%. A recovery trend in new orders will be a key factor in stock valuation in each quarterly earnings report going forward.

Figure 10: Temporary respite in business performance from the fiscal year ended March 2026 to the one ending March 2027



Source: Prepared by CGRA based on company materials

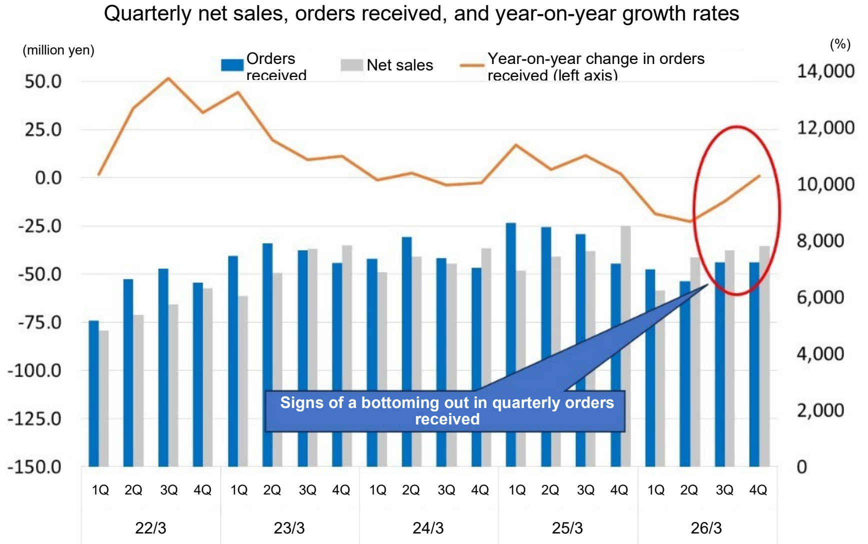
Order Trends and Leading Indicators for Business Performance

Trend in orders on a quarterly basis: Year-on-year growth rate has turned positive

The Company's quarterly orders received for 4Q of the fiscal year ended March 2026 (January to March 2026) recorded a year-on-year growth rate of 0.9%, marking the first positive growth in four quarters. By region, all regions are entering a phase of gradual recovery with Japan posting a 1.0% year-on-year increase, Europe and the U.S. posted a 2.5% increase, and Asia remaining flat. The book-to-bill ratio has remained above 0.9x, and we will be closely monitoring future trends.

The next point to watch is whether or not quarterly BB ratio (orders received / net sales) will return to 1x

Figure 11: Quarterly orders received shifting from a bottoming out to a turnaround phase



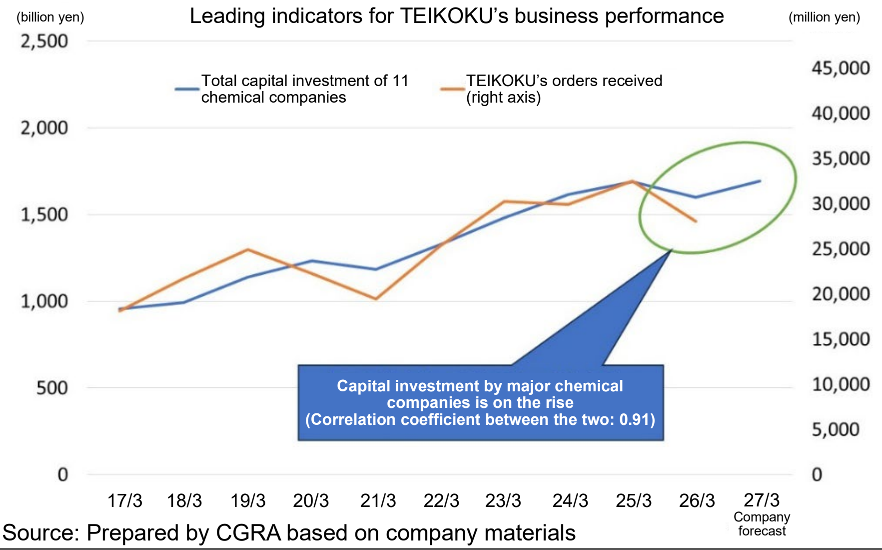
Source: Prepared by CGRA based on company materials

Leading indicators for business performance: Total capital investment by 11 chemical companies is on the rise

CGRA considers total capital investment by 11 major chemical companies listed on the Tokyo Stock Exchange Prime Market a key leading indicator for business performance. Capital investment in the chemical industry tends to track demand for pumps and replacement demand with a time lag; the current environment is similar to that of the period from the fiscal years ended March 2021 to March 2022. We believe that a recovery trend in the Company's orders received is likely to strengthen gradually going forward, particularly in the chemical sector.

"There are signs of a recovery in capital investment in the petrochemical industry in China," according to Yokogawa Electric

Figure 12: The trend toward a gradual recovery in orders is likely to strengthen going forward



Source: Prepared by CGRA based on company materials

Balance Sheet and Cash Flows

Maintaining a balance sheet with a net cash position

Balance sheet management conscious of capital efficiency seems to be in place

Against total assets of 40.2 billion yen as of the end of the fiscal year ended March 2026, a decrease of 2.1 billion yen from the end of the previous fiscal year, the equity ratio was maintained at 78.1% (an improvement of 0.8 percentage points from the end of the fiscal year ended March 2025). The Company remains debt-free and holds cash and deposits of 11.7 billion yen (approximately 27% of market capitalization) as of the end of the fiscal year ended March 2026, equivalent to 4.8 months of monthly sales.

Accounts receivable - trade remained largely unchanged from the previous period, indicating continued soundness. However, it is a cause for concern that inventories increased by approximately 1.0 billion yen from the end of the previous fiscal year to 8.3 billion yen, as net sales for the fiscal year ended March 2026 declined by 4.8% year-on-year, and we will closely monitor future developments.

CGRA believes that the decrease in total assets is primarily due to an increase in total dividends and the implementation of share buybacks, and that it is in a phase in which a reduction in the size of its balance sheet through shareholder returns has begun.

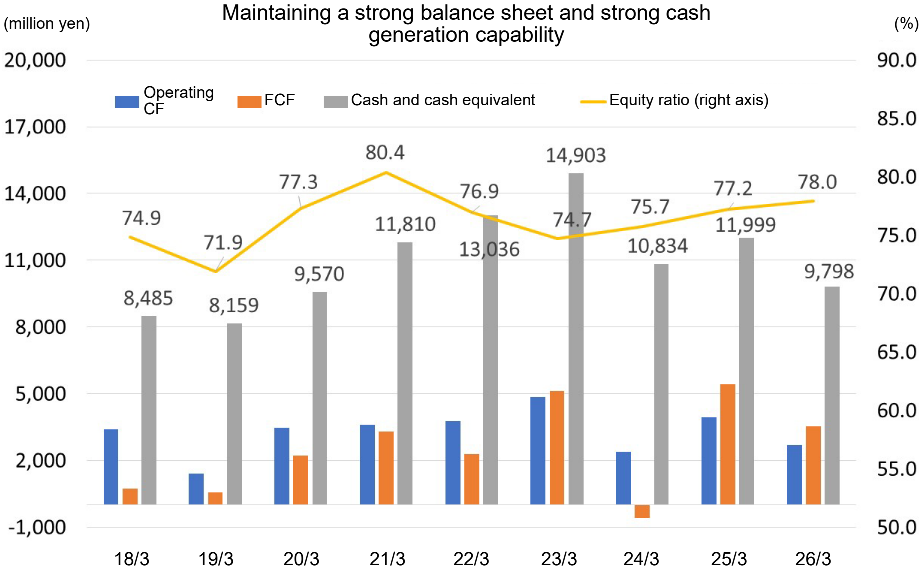
Actively strengthening shareholder returns, backed by strong cash generation capability

It is striving to balance the maintenance of strong cash generation capability with aggressive shareholder returns

Cash flows from operating activities for the fiscal year ended March 2026 were 2.6 billion yen, a decrease of 1.2 billion yen from the previous fiscal year (operating CF margin of 9.3%; two-year average under the current medium-term plan of 11.1%). Despite a continued increase in profit before income taxes, cash flows were negatively impacted by a deterioration in working capital, primarily due to an increase in inventories and a decrease in accounts payable - trade. Cash flows from investing activities amounted to 0.8 billion yen, down 0.6 billion yen from the previous period, while promoting the sales of investment securities and property, plant and equipment while making capital investment of 0.7 billion yen (down approximately 0.3 billion yen from the previous period). As a result, free cash flow decreased by 1.8 billion yen from the previous period to 3.5 billion yen.

As it increased dividend payments and share buybacks, cash flows from financing activities resulted in an outflow of 5.9 billion yen, a decrease of 1.2 billion yen year-on-year, and the balance of cash and cash equivalents at the end of the fiscal year stood at 9.7 billion yen, a decrease of 2.2 billion yen year-on-year. While the cumulative free cash flow over the past two years of the current medium-term plan totaled 8.9 billion yen, the cumulative total of treasury share purchases and dividends amounted to 9.5 billion yen; the Company has preserved a strong balance sheet and high cash generation capability while maintaining a total payout ratio of 100%.

Figure 13: Improved cash generation capability is resulting in stronger financial positions



Source: Created by CGRA based on financial statements and other materials.

Shareholder Returns

Shareholder return policy: Committed total payout ratio of 100%

Relatively high dividend yield has been maintained

Under its current medium-term management plan, which ends in the fiscal year ending March 2027, the Company has set a target cumulative total payout ratio of 100% over the three-year period (including a guideline dividend payout ratio of 50%) and has been purchasing treasury shares. Dividend per share for the fiscal year ended March 2026 was 133 yen, an increase of 23 yen from the previous fiscal year, and the year-end dividend yield was 4.8% (compared to 3.8% at the end of the fiscal year ended March 2025). The forecast dividend per share for the fiscal year ending March 2027 is 132 yen, indicating a dividend payout ratio of 54.0% and a dividend yield of 4.3%.

Maintaining DOE at a high level of 6.5% for the fiscal year ended March 2026

Although the Company does not include DOE as a target for shareholder returns, we have broken down DOE (dividend on equity) into the formula: ROE (return on equity) × dividend payout ratio (income gain). DOE for the fiscal year ended March 2026 was 6.5%, which is relatively aggressive compared to the average of around 3% for machinery companies listed on the Tokyo Stock Exchange Prime Market. ROE, which includes gains on the sale of investment securities, reached a record high of 13.6%; however, the underlying ROE—excluding extraordinary gains—stood at 11.1%, maintaining a stable level in the 10% range (with an average of 12.1% over the past four fiscal years). The dividend payout ratio stands at 50.1%, which is in line with its committed level, and has exceeded 50% for four consecutive fiscal years. If the total payout ratio (128.3%) is applied instead of the dividend payout ratio, DOE would be 17.4%, representing an extremely high return rate.

Improvement in TSR will likely require renewed business growth

In the next medium-term management plan to be announced in May 2027, ongoing shareholder returns are expected

The Company's total shareholder return (TSR), which includes dividends, is currently in an adjustment phase despite its efforts to enhance shareholder returns amid concerns over lower orders received and deteriorating business performance. The return as of the end of the fiscal year ended March 2026 for investments made at the end of the fiscal year ended March 2025 would have been -0.1%, remaining largely flat. The return as of the end of the fiscal year ended March 2026 for investments made at the end of the fiscal year ended March 2024, two years earlier, would have been +18.6%, and the return as of the end of the fiscal year ended March 2026 for investments made at the end of the fiscal year ended March 2021, five years earlier, would have been approximately 2.5 times the initial investment.

While CGRA perceives that it is currently in a phase where it is offsetting concerns about declining prospects for capital gains with aggressive shareholder returns, around the fiscal year ending March 2027 is assumed to be at the bottom of the Company's business performance. Furthermore, the next medium-term management plan to be announced in May 2027 is expected to consist of renewed business growth and cash allocation toward 2030, along with continuing strengthening of shareholder returns.

Figure 14: Historical TSR performance with the end of March 2026 as the base date

TEIKOKU's Total Shareholder Return (TSR) Performance vs. TOPIX and Machinery Sector

(%)	1 Year Ago	2 Years Ago	3 Years Ago	5 Years Ago	7 Years Ago	10 Years Ago
TEIKOKU	-0.1	18.6	27.3	148.6	198.8	343.9
TOPIX	34.6	32.6	87.4	102.2	160.1	228.2
Machinery Sector	52.0	45.4	112.5	122.1	215.5	321.2
Relative to TOPIX	-34.8	-14.0	-60.1	46.4	38.8	115.7
Relative to Machinery Sector	-52.1	-26.9	-85.3	26.5	-16.7	22.7

* 1-year ago: Total shareholder return (including dividends) as of March 31, 2026, for an investment made at the end of FY2024 (March 31, 2025).
* 5-years ago: Total shareholder return (including dividends) as of March 31, 2026, for an investment made at the end of FY2020 (March 31, 2021).

Source: Created by CGRA

Stock Valuation

Assessment of current stock valuation

In the next medium-term plan, strategic disclosure of information aimed at improving PER will be required

At the end of the fiscal year ended March 2025, when the Company posted record-high financial results, its PBR and ROE were 1.5x and 11.8%, respectively, with a PER of 13.3x. Meanwhile, for the fiscal year ended March 2026, year-end PBR fell to 1.4x amid a growing concern about deteriorating business performance. Although ROE rose to 13.6% due to the sale of investment securities and other factors, PER stood at 10.5x. Based on the most recent stock price of 3,085 yen as of July 1, 2026, PBR is 1.5x (based on BPS of 2,045.68 yen as of the end of the fiscal year ended March 2026), and forecast PER for the fiscal year ending March 2027 is 12.6x (the Company's forecast EPS of 244.53 yen). Expected ROE calculated as (PBR ÷ PER) is 11.9%, suggesting that the stock market continues to expect high returns on equity. CGRA believes that while the Company's high profitability and aggressive shareholder returns have led to high ROE and PBR, its low PER is attributable to the fact that its medium- to long-term growth story is not fully recognized.

PBR validation: The key point is whether or not DOE in excess of dividend yield will continue

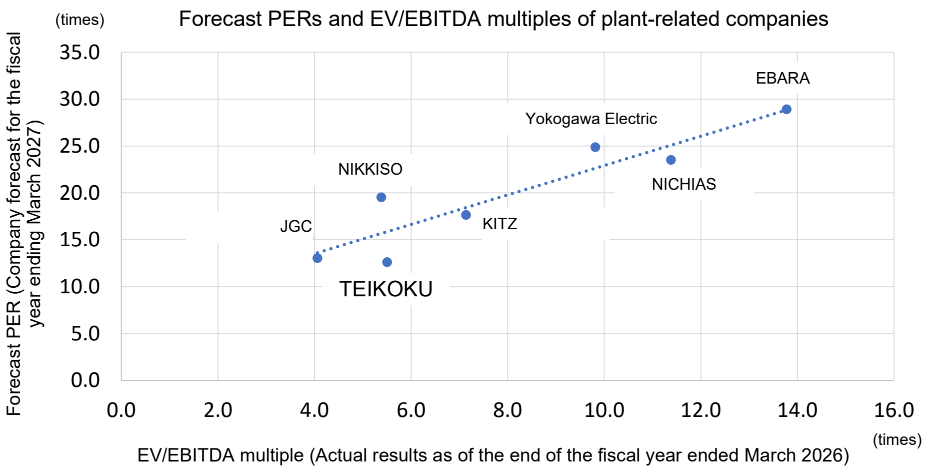
It will be effective to set a target DOE that exceeds the dividend yield in the next medium-term plan

The Company's average PBR over the past four years (the fiscal year ended March 2023 through the one ended March 2026) was 1.5x, representing a clear upward shift in the range compared to the average PBR of 0.9x for the preceding seven years (the fiscal year ended March 2016 through the one ended March 2022). While PBR is generally explained as "ROE × PER," it can also be explained as "DOE / dividend yield." The Company's PBR over the past four years has been supported by high shareholder returns with an average DOE of 6.2% and an average dividend yield of 4.2% during that period. In contrast, during the preceding seven years, the average DOE and average dividend yield stood at 2.0% and 2.2%, respectively, resulting in DOE consistently falling below the dividend yield. We believe that, in order to maintain PBR above 1x, a shareholder return policy that ensures "DOE > dividend yield" in the next medium-term plan will be a key factor.

PER validation: Strategic disclosure of information aimed at improving PER is required

Looking at forecast PER for the fiscal year ending March 2027 and EV/EBITDA multiple for the fiscal year ended March 2026 for plant-related companies, the Company—a company with positive a net cash position—has a lower EV/EBITDA multiple, which is on par with that of its competitor, NIKKISO. Meanwhile, as for forecast PER, expectations for its ability to capture demand for AI, semiconductors, and data centers and its medium- to long-term growth story, etc. in addition to business opportunities over the medium to long term toward a decarbonized era have not been fully communicated to the stock market, resulting in low PER. In the next medium-term plan, strategic disclosure of information aimed at improving PER will be required.

Figure 15: It is at a relatively low stock valuation



Source: Created by CGRA

Sustainability Management

Planning to accelerate corporate transformation, taking the change in its trade name as an opportunity

Effective April 1, 2026, the Company changed its name for the first time since its founding, from TEIKOKU ELECTRIC MFG. CO., LTD. to TEIKOKU CORPORATION. Although a change in its trade name is not a measure that directly increases corporate value, it is considered as a symbolic initiative that signals—both internally and externally—the Company's commitment to carry out corporate transformation that goes beyond the status quo. Going forward, the Company plans to shift toward management that prioritizes sustainability, with the following as key areas of change: (i) becoming a company that offers "fulfilling work" in line with its corporate philosophy; (ii) developing new markets with growth potential; (iii) launching branding initiatives to raise TEIKOKU's profile, and (iv) growing its overseas bases. We look forward to seeing the formulation of materiality and the disclosure of quantitative targets and strategies.

The Company has begun to make a major shift in its management direction to realize corporate transformation

Environment (E): Going forward, planning to strengthen its environmental initiatives both internally and externally

Canned motor pumps are expected to play a key role in the "decarbonization business." In CO_2 reduction processes that involve harsh operating conditions such as the risk of hazardous leakage, high and low temperatures, high pressure, and vacuum, canned motor pumps which are completely leakage-free and highly durable can be considered as important equipment. The Company discloses orders received in the decarbonization market, which amounted to 3.2 billion yen (accounting for 11.4% of the total), down 8.6% year-on-year, for the fiscal year ended March 2026. Regarding the reduction of GHG emissions, while it discloses Scope 1 and 2 emissions and has been strengthening its efforts to reduce them, it does not disclose Scope 3 emissions. It announced its endorsement of the TCFD recommendations in June 2023. It received a B score from CDP (Climate Change) for the first time in 2024, and continued to receive a B score in 2025.

Society (S): Implementing measures to increase motivation, such as revising its human resources systems

Currently, the Company is accelerating various initiatives aimed at improving employee engagement, under the goals of reforming its corporate culture and promoting women's advancement, while also moving forward with the introduction of a new human resources system that is set to go into effect in April 2027. In addition, it granted 75 shares of common stock each, subject to transfer restrictions, to 318 employees who are members of the employee stock ownership plan on February 24, 2023. The participation rate in the employee stock ownership plan has already exceeded 90%, establishing a foundation for creating incentives aimed at seeking sustainable enhancement of corporate value and sharing value with shareholders.

We hope that the new human resources system will help improve employee engagement

Governance (G): There appears to be significant room for improvement in realizing its vision

The Company is a company with an audit and supervisory committee and has established a voluntary Nomination and Compensation Committee chaired by an outside director. Furthermore, following the general meeting of shareholders held on June 29, the number of directors will be changed from 8 (including 4 outside directors and 1 female director) to 7 (including 3 outside directors and 2 female directors), with the aim of enhancing diversity. Meanwhile, the Company derives approximately 70% of its net sales from overseas markets, and foreign investors account for more than 30% of its shareholders. It also faces challenges of realizing decarbonization and tapping into new markets. Under those circumstances, expertise in areas such as capital markets, global management, the chemical industry, and next-generation technologies is becoming increasingly important. We look forward to a composition of outside directors that takes into account alignment with its business strategies and connection to transformation initiatives, as well as their effectiveness Executive compensation consists of fixed compensation by rank (40 to 61%), performance-based compensation (32 to 40%; based on net sales, operating profit, and relevant key performance indicators), and restricted stock compensation (8 to 20%). Going forward, we look forward to seeing the Company add metrics such as ROE, capital efficiency, sustainability indicators, and TSR as evaluation indicators thereby strengthening the linkage with corporate value.

Disclosure regarding the assessment of the effectiveness of governance will be required

Financial Data

Figure 16：Consolidated Balance Sheet and Statement of Cash Flows

(Million Yen, %)	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3	26/3
Current Assets	21,062	22,391	23,732	24,885	28,100	30,941	31,279	31,624	30,729
Cash and Deposits	8,713	8,369	10,515	12,576	14,442	16,141	14,306	13,887	11,721
Notes and Accounts Receivable – Trade	7,458	8,113	8,344	7,387	7,883	8,921	10,357	10,684	10,834
Inventories	4,414	5,670	4,898	4,307	5,211	6,024	6,583	7,359	8,375
Other Current Assets	477	239	-26	615	564	-166	79	-306	-201
Non-current Assets	12,165	11,919	11,046	10,747	10,901	10,656	10,761	10,773	9,476
Property, Plant and Equipment	8,874	8,932	8,706	8,368	8,690	9,000	8,659	8,754	7,953
Intangible Assets	1,018	798	564	380	182	128	134	104	141
Investments and Other Assets	2,273	2,189	1,776	1,999	2,030	1,528	1,968	1,914	1,382
Total Assets	33,228	34,310	34,778	35,632	39,001	41,597	42,040	42,397	40,205
Current Liabilities	6,535	8,596	6,826	5,171	7,368	8,222	7,663	7,634	7,087
Notes and Accounts Payable – Trade	2,180	2,883	2,132	1,869	2,747	2,652	2,508	2,501	2,101
Short-term Borrowings and Current Portion of Long-term Debt	456	316	451	320	340	320	89	0	0
Other Current Liabilities	3,899	5,396	4,243	3,528	4,282	5,250	5,066	5,134	4,986
Non-current Liabilities	1,876	900	901	1,080	1,342	1,869	1,911	1,258	881
Long-term Debt	115	79	71	74	79	80	0	0	0
Other Non-current Liabilities	1,761	821	830	1,006	1,263	1,789	1,911	1,258	881
Total Liabilities	8,411	9,496	7,727	6,797	8,710	10,091	9,574	8,892	7,968
Non-controlling Interests	80	114	136	166	272	413	615	766	882
Shareholders' Equity	24,710	24,675	26,889	28,643	30,007	31,081	31,839	32,727	31,343
Total Net Assets	24,817	24,815	27,051	28,835	30,291	31,506	32,466	33,505	32,237
Total Liabilities and Net Assets	33,228	34,310	34,778	35,632	39,001	41,597	42,040	42,397	40,205

(Million Yen, %)	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3	26/3
Cash Flows from Operating Activities									
Profit Before Income Taxes	3,407	1,395	3,472	3,590	3,767	4,853	2,395	3,945	2,698
Depreciation and Amortization	2,372	2,366	3,853	2,494	2,933	5,664	4,872	5,918	6,426
Increase (Decrease) in Working Capital	1,000	1,023	1,107	978	922	993	1,056	962	948
Income Taxes Paid	-402	-1,457	-335	1,234	92	-1,480	-1,659	-488	-1,429
Other	-486	-805	-999	-662	-633	-992	-1,688	-1,504	-1,895
Cash Flows from Operating Activities	923	268	-154	-455	452	668	-186	-944	-1,352
Cash Flows from Investing Activities	-2,677	-831	-1,260	-275	-1,475	282	-2,973	1,470	835
Purchase of Investment Securities	-7	-4	-4	-4	-4	-3	-3	-2	0
Proceeds from Sale of Investment Securities	40	184	257	80	1	402	0	189	990
Purchase of Property, Plant and Equipment	-1,683	-983	-665	-493	-899	-359	-786	-998	-724
Proceeds from Sale of Property, Plant and Equipment	0	0	0	0	0	0	10	205	825
Other	-1,027	-27	-849	141	-578	242	-2,194	2,076	-256
Free Cash Flow	730	564	2,212	3,314	2,292	5,135	-578	5,415	3,533
Cash Flows from Financing Activities	-1,347	-787	-690	-1,106	-1,652	-3,714	-4,076	-4,707	-5,902
Proceeds from Long-term Borrowings	0	-33	0	0	0	0	0	-89	0
Repayment of Long-term Borrowings	-50	-132	136	-130	20	-20	-320	0	0
Dividends Paid	-323	-474	-534	-768	-698	-1,692	-1,886	-1,532	-2,060
Purchase of Treasury Stock	0	0	-118	-73	-664	-1,863	-1,600	-2,477	-3,459
Other	-973	-147	-174	-135	-109	-139	-270	-609	-383
Cash and Cash Equivalents at Beginning of Period	9,052	8,485	8,159	9,570	11,810	13,036	14,903	10,834	11,999
Cash and Cash Equivalents at End of Period	8,485	8,159	9,570	11,810	13,036	14,903	10,834	11,999	9,798

Key Consolidated Financial Indicators									
Equity Ratio (%)	74.4	71.9	77.3	80.4	76.9	74.7	75.7	77.2	78.0
ROE (%)：Net Profit Attributable to Owners of Parent / Shareholders' Equity	6.1	4.1	12.2	8.4	6.8	13.1	9.9	11.8	13.6
ROA (%)：Net Profit Attributable to Owners of Parent / Total Assets	4.5	3.0	9.1	6.6	5.3	9.9	7.5	9.0	10.5
Total Asset Turnover (Times)	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7
Fixed Asset Turnover (Times)	2.3	2.5	2.7	2.3	2.6	3.2	3.3	3.5	3.5
Current Asset Turnover (Times)	1.0	1.0	1.0	0.8	0.8	1.0	0.9	1.0	0.9
Inventory Turnover Period (Days)	2.8	2.3	2.9	2.9	2.5	2.7	2.6	2.3	2.0
Accounts Receivable Turnover Period (Days)	128.2	127.6	127.4	144.2	125.3	107.8	120.4	125.7	135.0
Accounts Payable Turnover Period (Days)	38.8	41.5	38.8	36.7	37.9	34.6	32.2	29.9	28.9
Current Ratio (%)	322.3	260.5	347.7	435.3	381.4	376.3	408.2	414.2	433.6
Fixed Ratio (%)	49.2	48.3	41.1	37.5	36.3	34.3	33.8	32.9	30.2
Interest Coverage Ratio (Times)	55.5	113.0	134.4	122.1	148.9	147.6	148.6	332.6	695.7
Retained Earnings (Million Yen)	571	395	522	394	419	400	89	0	0
Equity Ratio (%)	74.4	71.9	77.3	80.4	76.9	74.7	75.7	77.2	78.0
ROE (%)：Net Profit Attributable to Owners of Parent / Shareholders' Equity	6.1	4.1	12.2	8.4	6.8	13.1	9.9	11.8	13.6
ROA (%)：Net Profit Attributable to Owners of Parent / Total Assets	4.5	3.0	9.1	6.6	5.3	9.9	7.5	9.0	10.5

Figure 17： Consolidated Statement of Income

(Million Yen, %)	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3	FY25/3	FY26/3	FY27/3 Full-Year Forecast
Net Sales	19,312	20,789	22,265	23,576	19,910	22,244	28,451	29,218	30,546	29,091	31,010
YoY Change (%)	-6.9	7.7	7.1	5.9	-15.5	11.7	27.9	2.7	4.5	-4.8	6.6
Net Sales (Domestic)	11,993	12,299	13,136	14,139	12,422	13,192	16,378	16,969	16,661	16,683	17,680
Ratio (%)	62.1	59.2	59.0	60.0	62.4	59.3	57.6	58.1	54.5	57.3	57.0
Net Sales (Overseas)	5,652	6,189	7,104	5,686	5,225	6,558	7,050	7,837	7,830	7,425	8,310
Overseas Sales Ratio (%)	29.3	29.8	31.9	24.1	26.2	29.5	24.8	25.2	25.6	25.5	26.8
Operating Profit	1,667	2,301	2,025	3,751	2,263	2,495	5,023	4,882	6,056	4,983	5,020
YoY Change (%)	-32.5	38.0	-12.0	85.2	-39.7	10.5	101.4	-2.8	24.0	-17.7	0.7
Operating Profit Margin (%)	8.6	11.1	9.1	15.9	11.4	11.2	17.7	16.7	19.8	17.1	16.2
Operating Profit (Domestic)	62	41	201	78	251	459	449	561	241	461	210
Operating Profit (Overseas)	136	144	241	197	298	495	498	616	331	478	-
Operating Expenses (Overseas)	74	103	41	119	48	36	49	55	90	17	-
Financial Income	10	9	42	24	40	76	114	144	146	121	-
Interest Expense	8	15	17	15	29	64	116	153	136	108	-
Share of Profit of Affiliates	31	36	44	38	30	31	34	25	28	20	-
Other Income	30	42	18	28	19	17	35	34	19	7	-
Ordinary Profit	1,728	2,341	2,226	3,829	2,513	2,954	5,472	5,443	6,297	5,445	5,230
YoY Change (%)	5.7	35.5	-4.9	72.0	-34.4	17.5	85.3	-0.5	15.7	-13.5	-3.9
Ordinary Profit Margin (%)	8.9	11.3	10.0	16.2	12.6	13.3	19.2	18.6	20.6	18.7	16.9
Special Gains	69	30	140	24	-20	-21	192	-571	-379	982	-
Special Losses	69	30	140	45	0	1	205	0	109	1,009	-
Extraordinary Gains	0	0	0	22	20	22	13	571	487	28	-
Extraordinary Losses	1,798	2,372	2,366	3,853	2,494	2,933	5,664	4,872	5,918	6,426	-
Profit before Income Taxes + Non-controlling Interests	638	883	1,314	657	147	858	1,524	1,595	1,835	1,762	-
Tax Expense (%)	36	37	56	17	6	29	27	33	31	27	-
Effective Tax Rate (%)	36	35	40	22	87	14	52	72	23	23	-
Profit Attributable to Owners of Parent	1,159	1,496	1,017	3,155	2,325	1,988	3,997	3,126	3,811	4,342	3,750
YoY Change (%)	35.1	29.1	-32.1	210.4	-26.3	-14.6	101.1	-21.8	21.9	13.9	-13.6
Profit Attributable to Owners of Parent Margin (%)	6.0	7.2	4.6	13.4	11.7	8.9	14.0	10.7	12.5	14.9	12.1
EPS (Yen)	56.9	74.6	51.4	159.9	118.1	103.3	215.0	173.8	219.3	265.7	244.5
Net Sales by Region (Million Yen)											
Japan	7,688	7,820	7,968	8,207	7,734	7,477	8,107	8,623	8,326	7,181	-
YoY Change (%)	-7.8	1.7	1.9	3.0	-5.8	-3.3	8.4	6.4	-3.4	-13.8	-
China	-	5,506	6,688	7,110	5,151	7,436	9,593	9,790	8,942	7,955	-
YoY Change (%)	-	23.5	21.5	6.3	-27.6	44.4	29.0	2.1	-8.7	-11.0	-
Other Asia	-	2,562	3,105	3,256	2,878	2,555	3,763	3,829	4,745	5,761	-
YoY Change (%)	-	21.2	4.9	-11.6	-11.2	-11.3	1.8	13.9	23.9	21.4	-
Americas	-	3,978	3,574	3,892	3,335	3,948	5,834	5,617	6,509	5,822	-
YoY Change (%)	-	-10.2	8.9	8.9	-14.3	18.4	47.8	-3.7	15.9	-10.6	-
Other Regions	-	53	212	389	424	248	338	342	941	618	-
YoY Change (%)	-	228.3	79.9	83.2	2.1	-44.1	6.1	1.1	175.3	-34.4	-
Adjustments	-	871	717	772	388	580	815	1,017	1,008	1,754	-
YoY Change (%)	-	-17.6	7.7	-49.7	49.3	49.3	40.6	24.7	6.6	5	-
Total	19,312	20,789	22,265	23,576	19,910	22,244	28,451	29,218	30,546	29,091	-
YoY Change (%)	-6.9	7.7	7.1	5.9	-15.5	11.7	27.9	2.7	4.5	-4.8	-
Composition Ratio (%)											
Japan	39.8	37.6	35.8	34.8	38.8	33.6	28.5	29.5	27.3	24.7	-
China	-	26.5	30.0	30.2	25.9	33.4	33.7	33.5	29.3	27.3	-
Other Asia	-	12.3	13.9	13.8	14.5	11.5	13.2	13.1	15.5	19.8	-
Americas	-	19.1	16.1	16.5	16.8	17.7	20.5	19.2	21.3	20.0	-
Other Regions	-	0.3	1.0	1.4	2.1	1.1	1.2	1.2	3.1	2.1	-
Adjustments	-	4.2	3.2	3.3	1.9	2.6	2.9	2.5	3.5	6.0	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-
Backlog of Orders (Million Yen)											
Chemical	-	9,494	10,432	11,984	9,712	10,960	15,547	15,357	16,580	16,370	-
Cryogenic / Air Separation Plant	-	2,191	2,171	1,954	1,800	2,115	2,193	2,154	2,168	2,297	-
Power (Domestic)	-	597	821	657	438	492	903	935	808	775	-
Power (Overseas)	-	676	586	591	563	538	686	721	934	850	-
Conveyance & Storage	-	309	382	415	436	457	468	396	568	672	-
Other Pumps	-	322	217	115	214	240	392	545	398	385	-
Maintenance	-	4,649	5,408	5,342	4,729	5,561	6,259	7,189	7,829	7,507	-
Total	-	18,242	20,019	21,061	17,895	20,365	26,451	27,300	29,289	29,091	-

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Kuroda joined Kankaku Research Institute (now Mizuho Securities) in April 1992, assigned to the Industrial Research Department. He then joined Jardine Fleming Securities (now JP Morgan Securities) in September 1999, then Goldman Sachs. Until January 2020, he worked for Credit Suisse Securities. He served as Vice President at Goldman Sachs, and Director at Credit Suisse Securities. In his career, he has been in charge of the machinery, shipbuilding, and heavy machinery sectors. He joined CGRA as a partner in June 2020.He was a member of the Machinery Industry Disclosure Committee, The Securities Analysts Association of Japan

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Capital Goods Research & Advisory Co., Ltd.

An advisory company specializing in the machinery sector. CGRA's main businesses are (1) support for creating integrated reports offering feedback to management while satisfying the needs of capital markets, (2) advisory services for medium-term plan creation and business strategy, as well as various IR & SR areas, (3) preparation of various materials and English translation, and (4) drafting corporate analysis sponsored reports useful for long-term investors and management.