

Accounting period

From January 1 to December 31

Record date for year-end dividends

December 31

Record date for interim dividends

June 30

Annual meeting of shareholders

March each year

Holder of list of shareholders and managing agency for designated accounts

Mitsubishi UFJ Trust and Banking Corporation

Contact

Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation

7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081

Tel: 0120-232-711 (toll free)

Listed stock exchange

JASDAQ Stock Exchange, Tokyo Securities Exchange

Public notice method

On-line public notice.

Publication at URL <https://www.convum.co.jp>

(Public notices shall be published in the Nihon Keizai Shimbun newspaper when accidents and other causes prevent on-line public notice.)

Notes

1. With the computerization of stock trading, in principle, account managing agencies (securities companies and other parties) where shareholders maintain accounts perform various procedures, including procedures for changing shareholder addresses and requesting share purchases. Please ask the securities company where you maintain an account about these procedures. Please note that the holder of the list of shareholders (Mitsubishi UFJ Trust and Banking Corporation) does not offer any of these services.
2. Mitsubishi UFJ Trust and Banking Corporation has been appointed as the account managing agency for the procedures associated with shares recorded in special accounts. Please ask the account managing agency for special accounts stated above (Mitsubishi UFJ Trust and Banking Corporation) about such procedures. Mitsubishi UFJ Trust and Banking Corporation branches across Japan serve as intermediaries for these procedures.
3. The main and branch offices of Mitsubishi UFJ Trust and Banking Corporation pay dividends receivable.

Our Website



We frequently update our investor relations and other corporate information on this site, and invite you to check back regularly.

66th Term Business Report

January 1, 2016 - December 31, 2016

Caring about people and make great efforts to weave together our creative ideas with the requirements of our customers while we contribute greater value to society.

Myotoku Group



Corporate Mission

- Caring about our customers.
- Offering each of our employees optimum working conditions and working environment.
- Carrying out development by integration of individual ideas and customers requirements.
- Promoting alliances with other companies, and sharing the benefits obtained from it.
- Transparency of management.
- Giving importance to internal communication such as reporting, informing and consulting.
- Promoting a professional relationship in which each and everyone can trust and rely on each other.

Under the slogan “CONVUM, Suction cup No. 1,” we will continue offering attractive products to ensure social trust and sustainable corporate growth.

Message from the President

We are pleased to present our results for the 66th term from January 1, 2016 to December 31, 2016. We also take this opportunity to express our sincere appreciation to our shareholders for their support.

Koji Ise,
President and Representative Director *Koji Ise*



Q1 Please describe the business results of the 66th term.

In the Japanese market, although capital expenditures lacked strength given the sluggish growth in the smartphone market, through reinforcing our sales structure and promoting sales expansion efforts, the Company’s domestic net sales reached 1,357 million yen, an increase of 1.9% year on year.

Overseas, in the South Korean market, we were buffeted by the impact of decelerating demand in the semiconductor manufacturing equipment and LCD panel manufacturing equipment industries. As a result, sales in the South Korean market fell 29.1% year on year to 396 million yen. In the Chinese market, sales fell 30.5% year on year to 187 million yen, as we were impacted by the slowing growth in the smartphone market. Meanwhile, sales in the Southeast Asian market declined 5.7% year on year to 82 million yen, primarily because of the slowing demand in the automotive industry in Thailand and its neighboring countries, despite aggressive promotional efforts centered on Thailand. Accordingly, the Group’s consolidated net sales for the 66th term fell 7.9% year on year to 2,251 million yen. In terms of profitability, consolidated ordinary income declined 36.3% year on year to 284 million yen and profit attributable to owners of parent fell 23.6% year on year to 186 million yen.

Q2 Please describe your performance forecasts and major initiatives for the fiscal year ending December 31, 2017.

For the fiscal year ending December 31, 2017, we expect to record consolidated net sales of 2,384 million yen, consolidated ordinary income of 285 million yen and profit attributable to owners of parent of 175 million yen. To achieve these targets, we will execute the following initiatives.

With regard to sales and development activities, we will continue to increase staff to reinforce our overall structure. As a pioneering manufacturer of vacuum equipment, other than working on R&D specialized in vacuum technology, we will expand our sales efforts capitalizing on our accumulated technical expertise in vacuum absorption conveyance, and promote new product development and sales activities that accurately address customers' needs and satisfy their demands. In particular, given the issue of a shortage of labor capacity with the onset of declining populations due to low birthrates and an aging population, we will make concerted efforts in the industrial robot market in which steady needs for labor saving and automation are anticipated. To



achieve this, together with constructing a collaborative framework with robot makers, we will actively participate in related exhibitions and promote sales activities. Further, to roll out a sales strategy on a global scale, we will strengthen collaboration between Japan and overseas, and carry out unified

sales activities in an ultimate aim to expand market sales share and raise the level of customer satisfaction. In 2016, we established CONVUM USA, INC. in the United States to further expand overseas sales. Our aim is to develop new customers and new markets in the North American and South American markets. Over the medium term, we will continue our efforts to capture demands in Japan and grow overseas sales, with the aim of achieving an overseas sales ratio of 50%.

On the manufacturing side, with an eye toward raising the level of customer satisfaction, we aim to strengthen cost competitiveness and improve our ability to meet delivery requirements by raising productivity through the automation of manufacturing processes and by enhancing operational efficiency through operations of new core systems. Moreover, we will work to maintain and improve the level of quality as a pioneering manufacturer of vacuum equipment, and to establish quality control systems on a global basis.

Q3 Finally, please provide your message to shareholders.

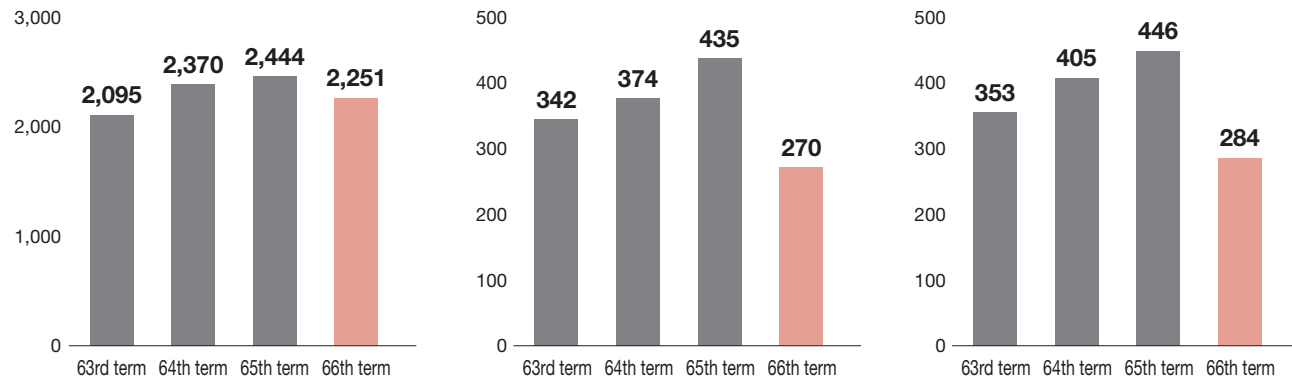
To fulfill the expectations of our shareholders and other stakeholders, the Group will continue to seek sustainable growth and enhance its corporate value.

Regarding the distribution of profits to shareholders, we make it a basic policy to ensure returns to shareholders according to business results, with a target payout ratio of 25% on a consolidated basis.

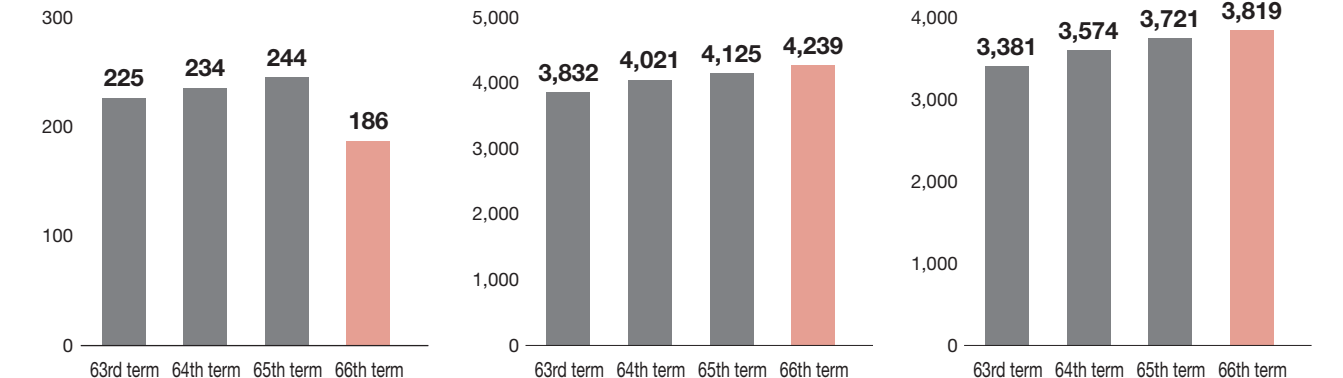
In line with this policy, we would like to propose an annual dividend of 8.00 yen per share for the 66th term, which consists of an interim dividend of 4.00 yen per share and a year-end dividend of 4.00 yen per share.

We will devote our full energies to achieving management objectives to meet the expectations of all of our shareholders, and therefore sincerely ask for the continued and unwavering support and cooperation of our shareholders.

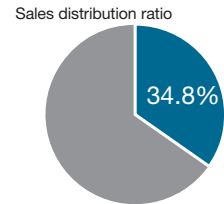
Net sales (Million Yen) **Operating income** (Million Yen) **Ordinary income** (Million Yen)



Profit attributable to owners of parent (Million Yen) **Total assets** (Million Yen) **Total net assets** (Million Yen)

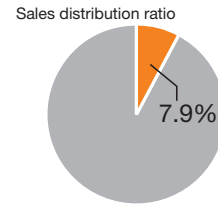


CONVUM ejectors Net sales: 783 million yen



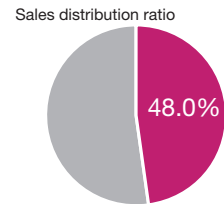
In the Japanese market, our efforts to capture demand for new equipment kept us at essentially the same level as the previous year, but with the impact of decelerating demand for semiconductor manufacturing equipment and LCD panel manufacturing equipment in the South Korean market, as well as sluggish growth in the smartphone market in China, performance declined from the previous fiscal year. As a result, consolidated net sales of this product segment for the year under review amounted to 783 million yen. The sales distribution ratio of this product segment was 34.8% of overall product sales, down 2.3 percentage points year on year.

Pressure sensors Net sales: 177 million yen



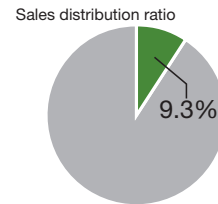
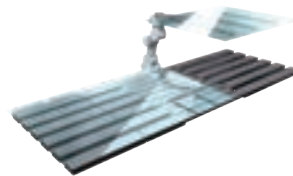
As was the case with CONVUM ejectors, as major customers of the Group are manufacturers of semiconductor manufacturing equipment, consolidated net sales of this product segment for the year under review amounted to 177 million yen. The sales distribution ratio was 7.9% of overall product sales, down 0.3 percentage points year on year.

Suction cups Net sales: 1,081 million yen



Despite our efforts to introduce new products in the market and cultivate new customers, a fall in demand for new equipment in the South Korean and Chinese markets caused this product segment's consolidated net sales for the year under review to amount to 1,081 million yen. At 48% of overall product sales, the sales distribution ratio of this product segment was lower than the ratios of CONVUM ejectors and pressure sensors, and was up 1.5 percentage points year on year.

FA equipment and others Net sales: 209 million yen



For general equipment, such as pneumatic equipment and vacuum pumps, net sales were up slightly from the previous fiscal year. As a result of our efforts to capture demand for our CONFLOAT Levitation Transfer Units from manufacturers of LCD panels and related products, consolidated net sales of this product segment for the year under review amounted to 209 million yen. The sales distribution ratio of this product segment was 9.3% of overall product sales, up 1.1 percentage points year on year.

The Myotoku Group's products and technologies are deployed in an extensive range of industrial applications on production sites, contributing to the automation of production processes and enhancing the quality of products.

As factory automation equipment, our products are incorporated into various manufacturing processes and equipment for various industries. The Group's mainstay products, Convum vacuum ejectors, use compressed air to generate vacuum, which is then used to operate a suction Cup to lift a work piece. Some of the product applications are presented below.

Automotive Industry

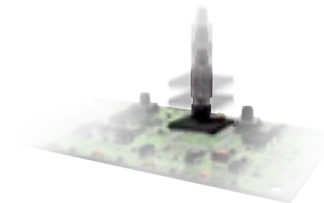


Automotive assembly process

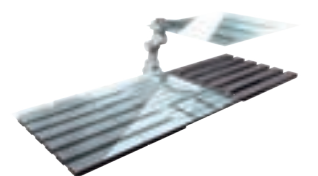


Adsorption conveyance in a press process

Semiconductor Industry



Adsorption conveyance of IC chips and electric components



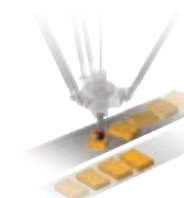
Adsorption conveyance, non-contact conveying of liquid crystal

Packing and Packaging Industries

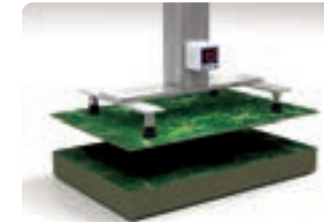


Adsorption conveyance of cardboard boxes

Adsorption conveyance at manufacturing and box packing processes



Other Industries



Confirmation of suction and pressure control

Assembly of electric components



Topic 1 CONVUM USA, INC. established

To achieve expanded overseas sales, in August 2016 we established a sales subsidiary CONVUM USA, INC. in California. We had previously conducted sales and sales promotion activities in North America through distributing agents, but in order to reinforce our sales activities, in September 2015 we established the North American Market Development Division, and have primarily conducted market research. Because the North American market has pneumatic equipment demand comparable to that of the Asian market, centered on demands for automotive-related equipment, semiconductor manufacturing equipment, and packing and packaging equipment, we came to the conclusion that expansion of sales can be expected by conducting sales activities based on the needs of the local market. Given this, we have established CONVUM USA, INC.

To raise the recognition of CONVUM USA, INC. and increase awareness of the CONVUM brand, in November 2016 we exhibited at PACK EXPO International 2016, held in Chicago. At the exhibition, we were able to have the visitors take a look at our broad lineup of vacuum devices, and within that, what garnered particular attention was our high flow type CVZ series. Going forward, we will promote sales activities to raise awareness of our company's brand in the North American market, and aim to develop and introduce new products to this market.



Scene at PACK EXPO

Topic 2 Head Office Showroom opened

In June 2016, we opened our fourth showroom in Japan, on the first floor of the Tokyo head office building. The establishment of this showroom follows the Yaguchi Showroom in Tokyo, the showroom within the Iwate Establishment and the Osaka Showroom.

At the showroom, in addition to introducing company products, users and device makers can easily drop by and actually have a demonstration of suction tests using our products. As an opportunity to propose solutions to the customers' issues, we will propose measures based on our accumulated vacuum absorption technologies by making full use of this upgraded showroom.



Topic 3 Active participation in exhibitions

To increase the recognition of our products and brand among as many customers as possible, and to raise market sales share, we are continuing to actively participate in exhibitions. In 2016, we exhibited five times in Japan, and nine times in overseas locations to promote PR activities.

CONVUM (THAILAND) Co., Ltd., our local subsidiary in Thailand, promoted our products and brand by exhibiting at METALEX THAILAND 2016, ASEAN's largest machine tool trade exhibition held in November 2016 with a total of 90 thousand visitors. Moving forward, in markets both within and outside of Japan, we will work to raise the recognition of our products and brand as well as cultivate new customers by actively participating in exhibitions.



Scene at METALEX THAILAND

Topic 4 Introduction of new products

High flow type CVZ series

In realizing an ample lineup in the CONVUM vacuum ejector series, we have commenced sales of the CONVUM CVZ series, which has a high air suction-flow volume.

The CVZ series is an ideal product for suction materials with breathability or heavy suction materials, and thus we are targeting sales growth in the packaging industry, automotive industry and markets outside of Japan.



Series "PNG" pouch film suction cups

The PNG series of suction cups feature properties such as enhanced adhesion to relevant suction materials and compatibility with suction materials for which conveyance was difficult with conventional suction cups. These suction cups enable absorption conveyance at high speed using robots such as for bag-packed products that contain food. We aim to expand sales in the market for industrial robots that are used to automate production processes for products such as food items and daily use items.



Topic 5 Appearance on NHK's "Chozetsu Sugo Waza!" (X-technology "SUGOWAZA")

We made an appearance on X-technology "SUGOWAZA," a popular TV program from NHK General TV.

X-technology "SUGOWAZA" features stories on "Japan's manufacturing that prides itself on high standards. How high can the outer limit of those technological capabilities go?" This program conveys the underlying strength and depth of Japanese manufacturing, documenting what it takes to accomplish exacting standards and take on the challenge to create totally original and skill-testing items of top-notch quality.

In the episode we were featured in, "Become the Real Spiderman! Showdown of the Ultimate Vacuum Absorption," we took on the challenge of developing a device that enables a person to be suspended from a ceiling and move forward like a monkey bar, based on the conditions that the power source is limited to a 100V household type and the surface area for absorption is limited. Two teams, one from our company and another challenger, competed in a series of challenges, varying in weight of the person and material qualities of the ceiling, to see which can complete more stages.

The program was broadcast over two weeks, on the Saturdays of December 10 and 17, 2016. Our company emerged victorious, and following the broadcasts, we received an enormous amount of feedback, including many business queries about the suction hands developed on the program. We intend to leverage the experience gained through the challenges we tackled on the program for future product development.



The developed suction cups

Consolidated Balance Sheet

(Unit: Thousand yen)

Accounts	65th term As of December 31, 2015	66th term As of December 31, 2016
Assets		
Current assets	1,890,308	1,989,682
Fixed assets	2,235,508	2,249,661
Total assets	4,125,817	4,239,344
Liabilities		
Current liabilities	254,192	265,420
Long-term liabilities	150,220	154,220
Total liabilities	404,413	419,640
Net Assets		
Shareholders' equity	3,591,146	3,711,410
Accumulated other comprehensive income	111,931	86,855
Share subscription rights	8,938	8,389
Non-controlling interests	9,387	13,048
Total net assets	3,721,404	3,819,704
Total liabilities and net assets	4,125,817	4,239,344

Consolidated Statement of Cash Flows

(Unit: Thousand yen)

Accounts	65th term January 1, 2015 to December 31, 2015	66th term January 1, 2016 to December 31, 2016
Cash flows from operating activities	318,745	475,818
Cash flows from investing activities	(98,025)	(127,552)
Cash flows from financing activities	(99,617)	(66,712)
Effects of exchange rate changes on cash and cash equivalents	(10,159)	(7,371)
Increase (decrease) in cash and cash equivalents	110,942	274,182
Cash and cash equivalents at beginning of fiscal year	624,962	735,905
Cash and cash equivalents at end of fiscal year	735,905	1,010,087

Consolidated Statement of Income

(Unit: Thousand yen)

Accounts	65th term January 1, 2015 to December 31, 2015	66th term January 1, 2016 to December 31, 2016
Net sales	2,444,725	2,251,422
Gross profit	1,490,398	1,240,475
Operating income	435,552	270,064
Ordinary income	446,728	284,778
Income before income taxes and minority interests	350,250	281,933
Profit	245,972	189,614
Profit attributable to non-controlling interests	1,453	2,845
Profit attributable to owners of parent	244,518	186,768

Consolidated Statement of Comprehensive Income

(Unit: Thousand yen)

Accounts	65th term January 1, 2015 to December 31, 2015	66th term January 1, 2016 to December 31, 2016
Profit	245,972	189,614
Other comprehensive income:		
Valuation difference on available-for-sale securities	25,917	4,208
Foreign currency translation adjustments	(24,383)	(29,427)
Total other comprehensive income	1,533	(25,219)
Total comprehensive income for the year	247,505	164,394
Total other comprehensive income attributable to:		
Owners of the parent company	247,010	161,692
Comprehensive income attributable to non-controlling interests	494	2,702

Corporate Information

Company name	Myotoku Ltd.
Establishment	April 16, 1951
Capital stock	¥748,125,000
Address of head office	2-6-18 Shimomaruko, Ota-ku, Tokyo 146-0092 Tel: +81-3-3759-1491
Domestic offices	Iwate, Tokyo, Osaka, Nagoya, Fukuoka
Consolidated subsidiaries	MYOTOKU CONVUM CHINA Co., Ltd. CONVUM KOREA Co., Ltd. CONVUM (THAILAND) Co., Ltd. CONVUM USA, INC.
Number of employees	117 (Consolidated number of employees)
Stock exchange	JASDAQ Stock Exchange, Tokyo Securities Exchange
Accounting auditor	Deloitte Touche Tohmatsu

Officers (As of March 24, 2017)

President and Representative Director	Koji Ise
Senior Managing Director	Mitsuhiko Kadono
Managing Director	Motohiro Shouse
Director	Yutaka Sato
Director	Yoichi Izumi
Director	Taketsugu Iwamoto *
Director	Minoru Hirano *
Full-Time Corporate Auditor	Mitsunobu Obata
Corporate Auditor	Hiroyuki Matsumoto *
Corporate Auditor	Kazuharu Kawanoue *

Note: The persons with asterisks are outside directors or outside corporate auditors.

Stock Information

Number of authorized shares	Number of issued shares	Number of shareholders
33,000,000	8,285,000 (Of which treasury stock: 974,613 shares)	1,247 (An increase of 29 from the previous term-end)

Major Shareholders

Shareholder	Number of shares held	Ratio of shareholding
Ise Kosan Co., Ltd.	1,413,800	19.34
Sugako Ise	630,100	8.62
Koji Ise	412,050	5.64
Myotoku Employees' Stock Association	249,250	3.41
Toshio Nakamori	220,000	3.01
NICHIDEN Corporation	140,000	1.92
Shinichi Kamiya	137,000	1.87
Saburo Ise	126,500	1.73
Maki Izumi	122,500	1.68
Marusan Securities Co., Ltd.	90,000	1.23

Note: The number of treasury stock (974,613 shares) is deducted in calculating the ratio of shareholding.

Share Price

