



June 21, 2022

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### **Notice of Issuance of a Sponsored Research Report**

Nippon Pillar Packing Co., Ltd. (the “Company”) is pleased to announce that the Company has released a sponsored research report in order to facilitate communication with our shareholders and investors, and to help deepen their understanding of the Company.

The research report was written by Capital Goods Research & Advisory Co., Ltd. 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.



# Corporate Report

Prime Market—Machinery

June 20, 2022

## Nippon Pillar Packing (6490)

Analyst in charge

**Shinji Kuroda**  
**Hidehiko Hoshino CMA**  
Capital Goods Research & Advisory

### With semiconductors and decarbonization as the two main themes, there is great long-term growth potential

- ★ Nippon Pillar Packing (hereinafter, the Company) has been mainly engaged in the electronic equipment business, which deals with fittings and bellows pumps made of fluororesin for semiconductor manufacturing equipment manufacturers and device manufacturers, and the industrial equipment business, which deals with mechanical seals, gland packing, gaskets, etc. that are built into pumps and valves, etc.
- ★ In the fiscal year ended March 2022, both sales and profits increased significantly from a year earlier. Operating profit margin and ROE reached 28.0% and 16.8% respectively, hitting record highs for the first time in the past three years. In the fiscal year ending March 2023, the Company is expected to post a record operating profit as it did last year, despite concerns over soaring prices of parts and materials and procurement difficulties.
- ★ The Company boasts a global market share of more than 90% in the market of fittings for semiconductor cleaning equipment, a bread-and-butter product of the Company's electronic equipment business, which accounts for 75% of its sales. In this segment, the Company achieved a high sales growth rate that is equivalent to those of major global manufacturers of semiconductor manufacturing equipment. At the same time, its operating profit margin reached 32% in the fiscal year ended March 2022, far exceeding the results of competitors: 24.0% of Entegris, a U.S. competitor; 29.9% of Tokyo Electron; and 31.3% of SMC, a company representing the machinery sector.
- ★ In the industrial equipment business, in addition to the increase in sales of rotary joints for chemical mechanical polishing (CMP), sales in the repair business (excluding rotary joints), which are expected to produce stable revenue, account for almost half of the sales, and the operating profit margin was restored to 15.7% in the fiscal year ended March 2022. Furthermore, we are seeing new demand emerging toward decarbonization, such as an increase in ammonia co-firing-related transactions with power generation and energy businesses.
- ★ The global semiconductor market is expected to double in 2030 compared with 2020, and the Ministry of Economy, Trade and Industry estimates that domestic investment related to decarbonization will reach 17 trillion yen per year in 2030. With its business performance in recent years having moved on to the next growth stage, the Company announced the construction of Fukuchiyama Plant #2 for the electronic equipment business to grow further. The 1st Building will start manufacturing in October 2023, and the production capacity is estimated to increase from the current level of about 36 billion yen to 65 billion yen. Furthermore, sites for the 2nd through 4th Buildings are also secured, and the production capacity is estimated to reach around 150 billion yen in the end. Backed by the augmented ESG management as well as semiconductors and decarbonization, the Company seems to have a large margin of growth in the long run.
- ★ Before its 100th anniversary in 2024, the Company is planning to announce the three-year medium-term business plan for the next term in May 2023. Capital Goods research & Advisory (CGRA) expects that shareholder returns will be boosted and that the Company's stock valuation, which has remained relatively low, will be corrected going forward.

#### (Consolidated financial results and stock market data of Nippon Pillar Packing: 1 billion yen, JPY, %)

Trading data		Performance						
		18/3	19/3	20/3	21/3	22/3	23/3CoE	
Stock price (June/17/2022)	JPY 2,717	29.5	31.0	29.2	30.2	40.7	44.0	
52-weeks range	JPY 2,377~3,850	5.2	5.1	3.7	4.8	11.4	11.8	
Market cap	JPY 68 billion	5.2	5.2	3.7	5.1	11.8	11.8	
Number of outstanding shares	25.0 million shares	3.4	3.7	2.6	3.4	8.3	8.3	
Average trading value(20 days)	JPY 280 million	140.0	152.1	108.6	144.7	350.5	351.1	
Company forecast PER	7.7 times	8.9	9.1	6.2	7.8	16.8	-	
PBR(As of March 2022)	1.2 times	36.0	45.0	40.0	50.0	106.0	108.0	
Company forecast DPS	JPY 108	25.7	29.6	36.8	34.6	30.3	30.8	
Company forecast Dividend yield	4.0%	5	11	11	20	104	-	
ROIC (March 2022)	15.9%	115	118	115	117	209	-	

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## (1) Three Noteworthy Points Regarding Nippon Pillar Packing

### Point 1: Semiconductor market to double in 2030 compared with 2020

A report issued by CGRA on November 17, 2021 mentioned WSTS's estimation that the global semiconductor market is expected to expand from about 400 billion U.S. dollars in 2020 to 1 trillion U.S. dollars in 2030. This is expected as the data processing volume will increase associated with the spread of CASE (Connected, Autonomous, Shared and Electric) in the automotive industry and IoT/ICT, and the progress of 5G, post-5G, and DX. That means the market size which has doubled over the last 20 years will double in the next 10 years. In addition, the report stated that Bloomberg NEF and other research providers made a prediction that investments in energy-related facilities would increase worldwide (from the current level of 1.7 trillion dollars to 3.3 to 5.8 trillion dollars) toward decarbonization as fuels will be shifted to hydrogen to achieve carbon neutrality by 2050. This time, the Company stated, in the documents for the briefing of financial results of the fiscal year ended March 2022, which were issued on May 26, that the global market of semiconductors and semiconductor manufacturing equipment would double in 2030 compared with 2020 and that new demand, such as ammonia-related demand, was likely to be created as the power source composition in Japan would change.

"Semiconductors" and "decarbonization" are keywords over the medium to long term.

### Point 2: Business size and profitability likely to shift

The Company is rolling out businesses in two segments: the electronic equipment business in which the mainstay is fittings for semiconductor manufacturing equipment, which account for over 90% in the world market share; and the industrial equipment business in which the main product is mechanical seals. Although about 75% of consolidated sales are dependent on capital investments made by semiconductor manufacturing equipment manufacturers and device manufacturers, the Company can also benefit from an increase in capital investment associated with energy transitions to hydrogen, ammonia, etc. As stated above, the market for semiconductors and their manufacturing equipment has doubled over the last 20 years, and is predicted to double over the 10 years to 2030. Under such circumstances, the Company has seen its sales double and operating profit grow about 3 times in the past 10 years, with profit levels and profit margins rising steadily while achieving record operating profit every 5 years. In the fiscal year ended March 2022, the Company hit record high financial results with sales of 40 billion yen, operating profit of more than 10 billion yen and an operating profit margin of 28%. CGRA considers that the expansion of the semiconductor market, development of new customers, introduction of new products, creation of new markets for decarbonization such as seals for the hydrogen and ammonia-related businesses, and the augmentation of ESG management will stimulate the Company's earnings performance. The performance may grow at a pace faster than the growth of the market, and this might cause a significant shift in its business size and profitability.

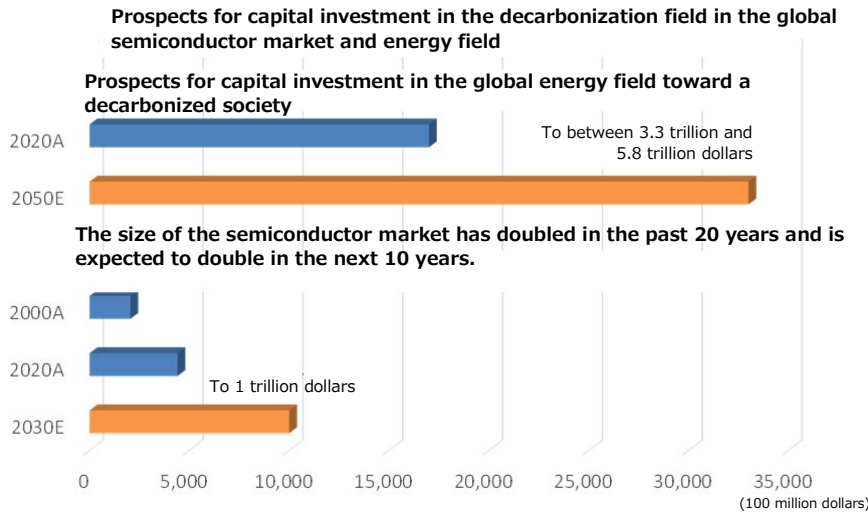
Performance is expected to grow faster than the growth rate of the market.

### Point 3: Boost in shareholder returns expected ahead of the 100th anniversary

The numerical targets set in the three-year medium-term business plan "BTvision22" (fiscal year ended March 2021 to fiscal year ending March 2023), which is currently in progress, were achieved one year ahead of schedule. Therefore, the earnings estimated for the fiscal year ending March 2023 were set as the earnings target for the final year of the medium-term business plan. A new medium-term business plan for the next three years is planned to be announced in May 2023. The Company will celebrate its 100th anniversary in 2024. At present, the pledged dividend payout ratio is 30% or more, but the total payout, including stock repurchases, has increased for six consecutive years in real terms, including the forecast for the fiscal year ending March 2023. In addition, the average capitalization yield over the past three years, including stock repurchases, is an attractive one, marking 4.1%, and the dividend per share for the fiscal year end March 2023 is expected to be 108 yen (a dividend payout ratio of 30.8%), up 2 yen from last fiscal year. Going forward, earnings are expected to grow and ROE is likely to increase as capital policies such as stock repurchases will be taken. CGRA expects that shareholder returns will be boosted and that the stock valuation, which has remained relatively low, will be corrected during the period before and after the 100th anniversary in 2024.

Continuous improvement in shareholder returns can be expected.

**Figure 1: Spur in capital investment in decarbonization field and high growth of semiconductor market can be expected**



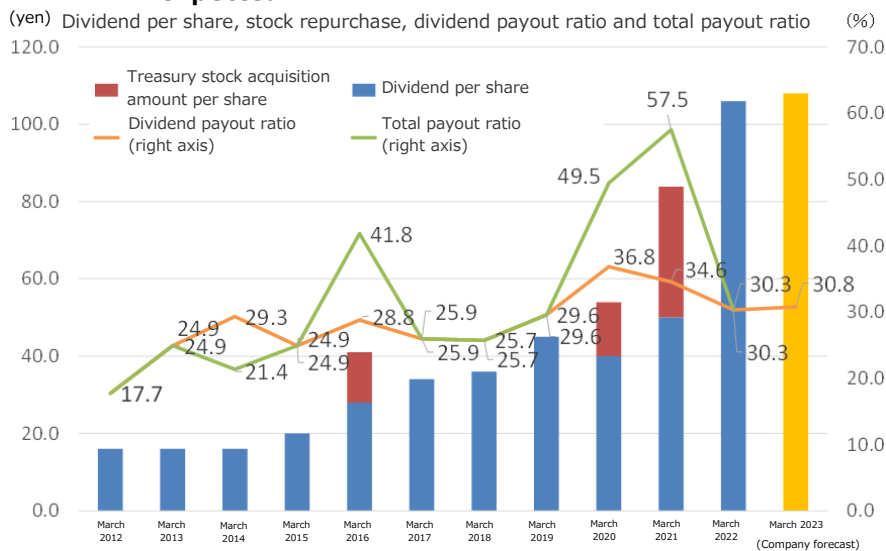
Semiconductor market to double in 2030 compared with 2020

**Figure 2: Growth in the semiconductor market drives the Company's performance up**



The company has potential for growth over the long term with the semiconductor market as a leading indicator.

**Figure 3: Continuous improvement in shareholder returns expected**



Expectations are placed on continuous increase in shareholder returns including stock repurchases.

Source: Created by CGRA based on company materials

## (2) Changes from Previous Report

### • Stock price falls while earnings continue to increase

#### Despite continuous growth in earnings, stock valuation declines

There have been four noteworthy changes since the issuance of the previous report of the Company.

**1. Expected to break records in consecutive years:** The Company upgraded its full-year earnings forecast when announcing the results of the first and second quarters of the fiscal year ended March 2022, but at the announcement of the results of the third quarter, it left the full-year earnings forecast unchanged while competitors revised their forecast upward. It seems that the Company was worrying about a difficulty in material procurement. Even so, the operating profit of the fiscal year ended March 2022 came out to be a record 11.4 billion yen (operating profit margin of 28.0%), up 14% from 10 billion yen forecasted by the Company. The operating profit forecast for the fiscal year ending March 2023, which was announced on May 12, increased 4% from last fiscal year to 11.8 billion yen (operating profit margin of 26.8%), which means a record high as it was in the previous year, regardless of the concern about procurement difficulties which had not been shaken off yet.

Record-high earnings are expected for the fiscal year ending March 2023 again.

**2. Domestic competitors also announce record earnings and new medium-term plans:** Nichias, a domestic competitor in the industrial equipment business, revised its earnings forecast upward at the announcement of earnings results for the third quarter of the fiscal year ended March 2022 (operating profit forecast was upgraded to 26 billion yen from 25 billion yen), and at the same time announced an increase in dividend (to 44 yen from 40 yen). In addition, on May 9, it also released a three-year medium-term business plan which will start from the fiscal year ending March 2023 (with the target operating profit for the fiscal year ending March 2025 being 31.2 billion yen). As regards Valqua, it revised its full-year earnings forecast upward when announcing the financial results in the third quarter of the fiscal year ended March 2022 (the operating profit forecast was upgraded to 6 billion yen from 5.5 billion yen). And on May 26, it also announced a two-year medium-term plan, NF2023 (with target operating profit being 7.5 billion yen), which ends March 2024, while maintaining target sales of 80 billion yen and ROE of 15% or more for the fiscal year ending March 2027, the year the company celebrates its 100th anniversary.

Domestic competitors announced record earnings as well as new medium-term plans.

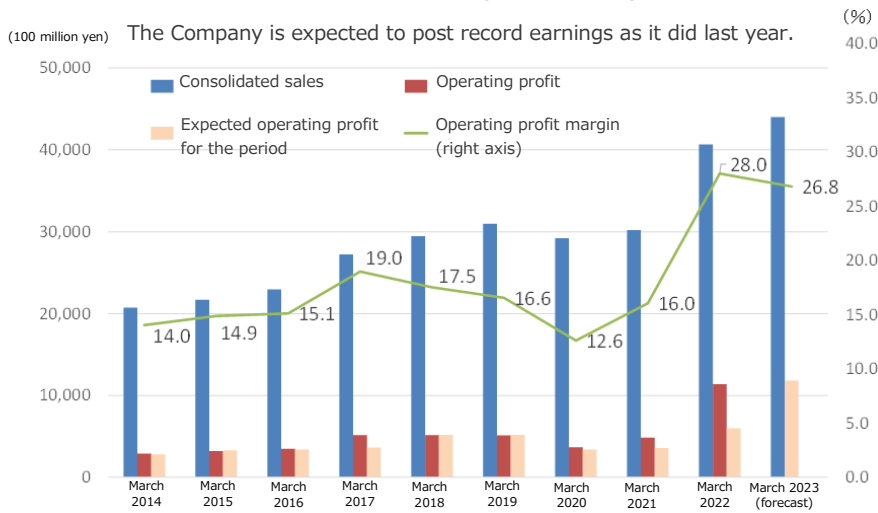
**3. Performance of domestic and overseas semiconductor manufacturing equipment companies continues to improve:** EBARA, which is a leading ESG management company in the machinery sector and whose earnings are driven by the chemical mechanical polishing (CMP) system, a type of semiconductor manufacturing equipment, announced its forecast for the fiscal year ending December 2022. It stated operating profit would increase 8% from a year ago to 66 billion yen, orders for the CMP system decrease 15% to 150 billion yen (35.7 billion yen as of the 1st Q), and sales increase 38% to 143 billion yen (19.5 billion yen as of the end of the 1st Q). In the announcement made on May 11, SCREEN Holdings released a projection that sales in the SPE business would hit a record of 372 billion yen for the fiscal year ending March 2023, up 17% from last fiscal year, and that operating profit would increase 24% to 78 billion yen. A U.S. competitor Entegris announced that sales in the first quarter from January to March 2022 increased 27% from the same period of last year to 650 million dollars and operating profit grew 43% to 160 million dollars (OPM 25.1%). Sales expected for the second quarter from April to June 2022 are between 660 and 680 million dollars (570 million dollars in the previous year).

Domestic and overseas semiconductor manufacturing equipment companies are expected to continue to perform well.

**4. Stock valuation drops—Evaluation as decarbonization-related company is possible:** Domestic competitors, semiconductor manufacturing equipment companies and overseas competitors are also facing drops in stock prices although they predict a steady growth in earnings. The factors that are considered to be lying behind this include the risk of stagflation in the U.S. economy, the protracted Russia-Ukraine crisis, hikes in material prices and procurement difficulties all over the world, and the arrival of a lull in the number of orders accepted. Even so, the long-term growth scenario of the Company toward 2030 remains unchanged and a dividend yield of nearly 4% is expected to be secured for the fiscal year ending March 2023. Despite this fact, its stock valuation has remained the lowest in the supply chain. On the other hand, the stock prices of Mitsubishi Heavy Industries and IHI, which are likely to benefit from the global trend toward carbon neutrality, and that of Yokogawa Electric, which can be used as a leading indicator of the earnings of the Company, have hit new highs since the beginning of the fiscal year, showing an upward trend. New demand for the hydrogen- and ammonia-related products of the Company's industrial equipment business is also expected to be generated going forward. The Company's stock might start attracting attention as a decarbonization-related stock.

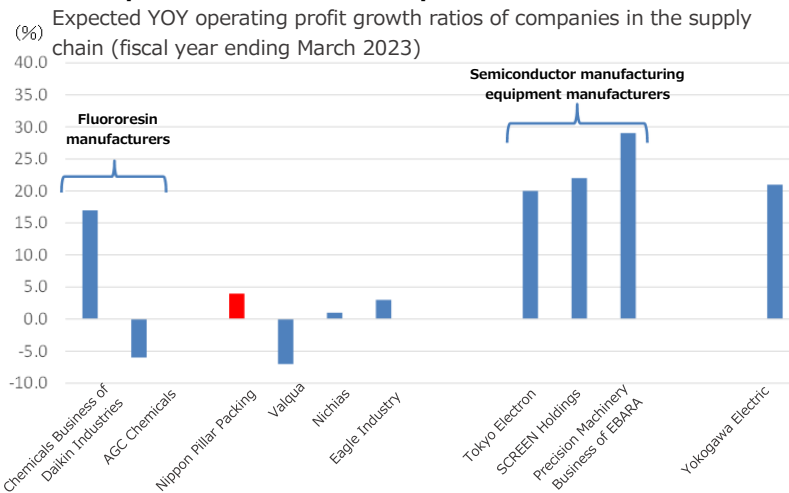
The Company's stock valuation remains the lowest in the supply chain.

**Figure 4: The Company’s business performance seems to have moved on to the next growth stage**



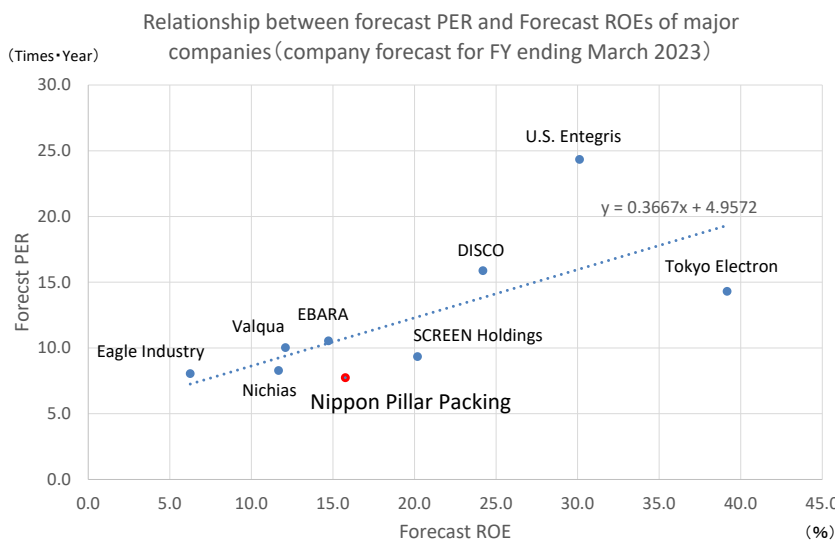
The Company’s sales and operating profit have moved up a notch.

**Figure 5: Semiconductor manufacturing equipment companies expected to continue to perform well**



The Company’s earnings forecast is comparatively conservative in the supply chain.

**Figure 6: Comparison of stock valuations**



The forecast PER for the fiscal year end March 2023 is low relative to the forecast ROE.

Source: Created by CGRA based on company materials. EBARA and Entegris close their accounts in December.

### (3) Highlights from the Results of the FY Ended March 2022

- With earnings hitting a record high, business performance has moved up a notch

**Sales reached the 40 billion yen level for the first time, and operating profit reached the 10 billion yen level**

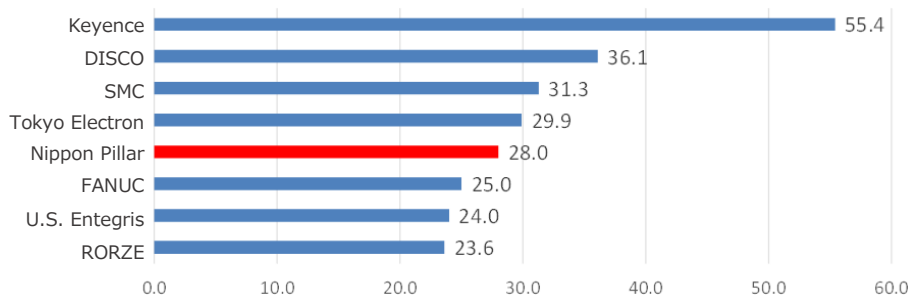
Consolidated net sales for the fiscal year ended March 2022 increased 35% from a year earlier to 40.7 billion yen, and operating profit was up 135% to 11.4 billion yen (operating profit margin of 28.0%). Sales reached a record high for the first time in three years, exceeding the previous peak sales by about 10 billion yen and securing the 40 billion yen level for the first time. Operating profit hit a new record high for the first time in five years, rising sharply to 2.2 times the previous peak operating profit, reaching the 10 billion yen mark for the first time.

Looking back over the past performance, the Company's sales had grown from the 20 billion yen level to the 30 billion yen level over about 10 years, but it took about 4 years for the sales to increase from the 30 billion yen level to the 40 billion yen level. Prior to the fiscal year ended March 2017, the Company's performance was cyclical, but since then its revenue structure has been shifting to one of a cyclical growth company.

#### Operating profit margin comparable with Japan's leading machinery and semiconductor manufacturing equipment companies

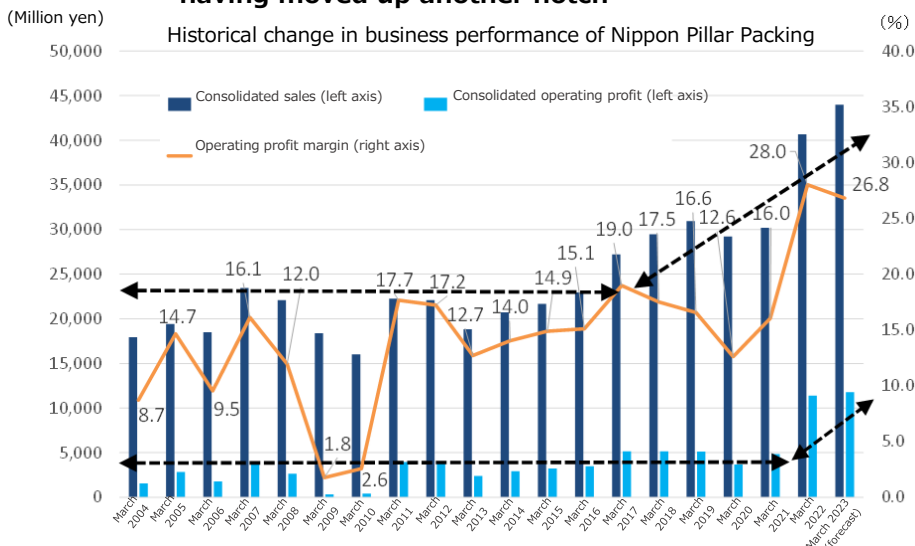
Figure 7 compares the operating profit margins of Japan's leading high-profit machinery companies, semiconductor manufacturing equipment manufacturers, and U.S. competitors including Entegris. The profitability of the Company is comparable with that of those companies. Furthermore, the operating profit margin in its electronic equipment business reached 32%, exceeding the profitability of Tokyo Electron and SMC. The business performance of the Company seems to have moved up a notch.

**Figure 7: Ranking of operating profit margins of major machinery and semiconductor manufacturing equipment companies (%)**



Source: Financial statements of each company. Results in fiscal year ended February 2022 for RORZE, fiscal year ended December 2021 for U.S. Entegris, and fiscal year ended March 2022 for other companies.

**Figure 8: The Company's earnings grow sharply to hit new highs, having moved up another notch**



Source: Created by CGRA based on company materials

The revenue structure of the Company transformed into one of a cyclical growth company from the fiscal year ended March 2017

The Company secured an operating profit margin comparable with that of top companies in Japan and overseas.



• **Electronic Equipment Business**

**Increase in capital investment in semiconductor-related markets drives the performance up**

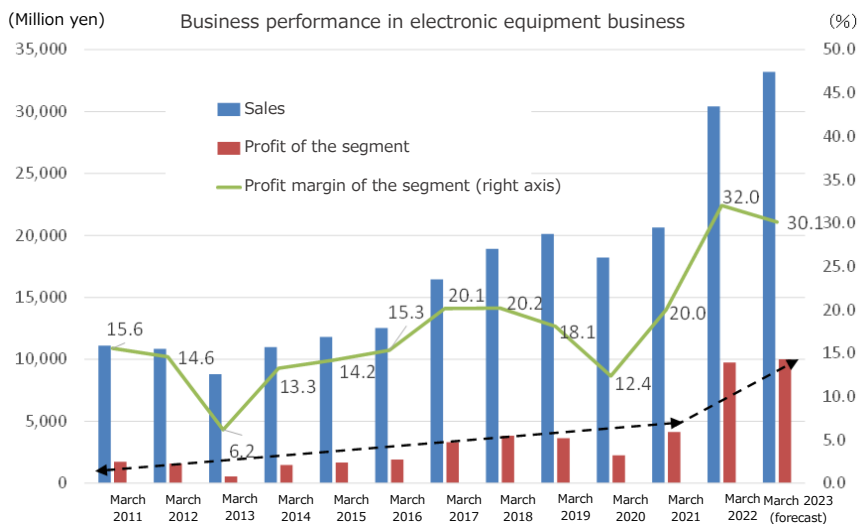
In the Electronic equipment business, sales in the fiscal year ended March 2022 rose 47% from a year earlier to 30.4 billion yen (75% of the total sales), and operating profit grew 136% to 9.7 billion yen (85% of the total operating profit), with operating profit margin reaching 32.0% (up 12.0 pts. from a year earlier). Both sales and operating profit hit record highs for the second consecutive year.

The growth in sales in the electronic equipment business is driven not only by semiconductor manufacturing equipment manufacturers (i.e., to be installed in manufacturing equipment, particularly wafer cleaning equipment) and device manufacturers (i.e., to be used for chemical chargers on the chemical charging floor at semiconductor factories) which are supported by the demand for semiconductors that is booming worldwide, but also by the sales expansion to new local customers in China.

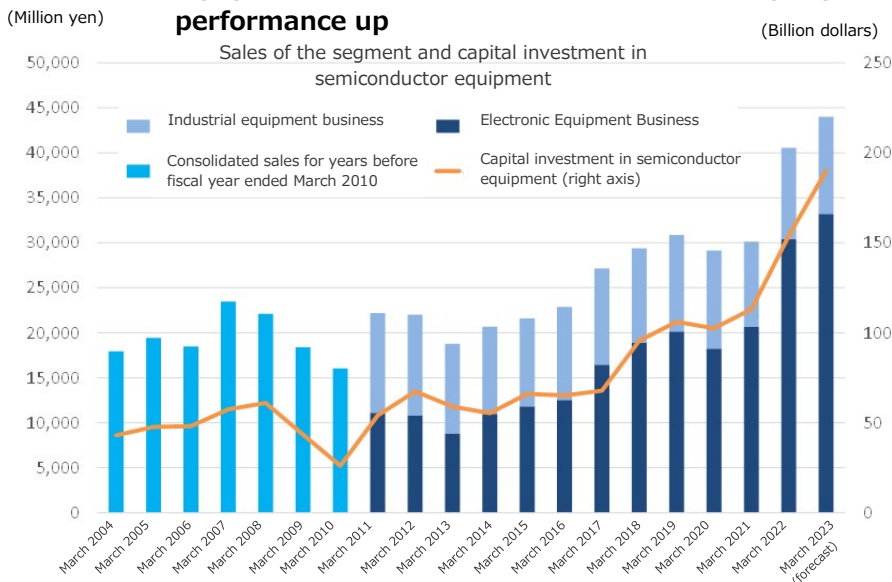
Although the Company hit a record operating profit margin of 32.0% in the segment, it looks like the impact of a shortage of fluororesin and hike in material prices is becoming apparent. Even with the Company's efforts to increase production output through highly flexible production and reduction of the defective product rate, the simple incremental margin ratio, which is calculated by dividing the year-on-year increase in operating profit by the amount of increase in revenue, decreased to 57% in the fiscal year ended March 2022 from 73 to 77% marked in the previous two years.

Sharp growth and record-high earnings were achieved with the support of booming investment in semiconductor equipment.

**Figure 9: Electronic equipment business seems to have stepped up to new growth phase**



**Figure 10: Increase in capital investment in semiconductor equipment around the world drives the Company's performance up**



Source: Created by CGRA based on company materials and WSTS

• **Industrial Equipment Business**

**Profitability is on a sharp recovery, securing highest operating profit margin in six years**

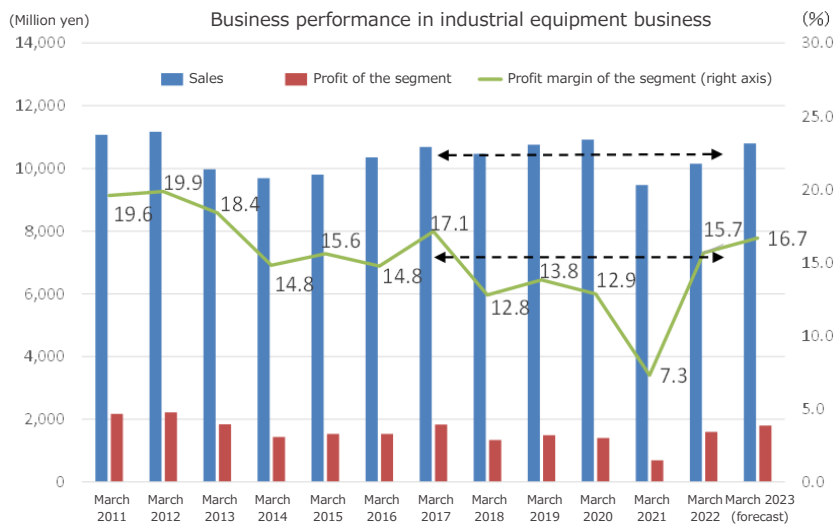
In the Industrial equipment business, sales in the fiscal year ended March 2022 rose 7% from a year earlier to 10.1 billion yen (25% of the total sales), and operating profit grew 130% to 1.6 billion yen (14% of the total), with operating profit margin reaching 15.7% (up 8.4 pts. from a year earlier). Sales increased by about 700 million yen from a year ago, mainly due to an increase in sales of rotary joints for CMP and products for chemicals.

In recent years, the operating profit margin of the industrial equipment business has been on a declining trend since peaking at 17.1% in the fiscal year ended March 2017, and in the fiscal year ended March 2021, the operating profit margin declined to 7.3% due to spot charges in the United States. However, in the fiscal year ended March 2022, the performance improved significantly, achieving the highest operating profit margin in the past six years, thanks to growth in sales of profitable rotary joints for CMP and the robust repair business, including overseas sales.

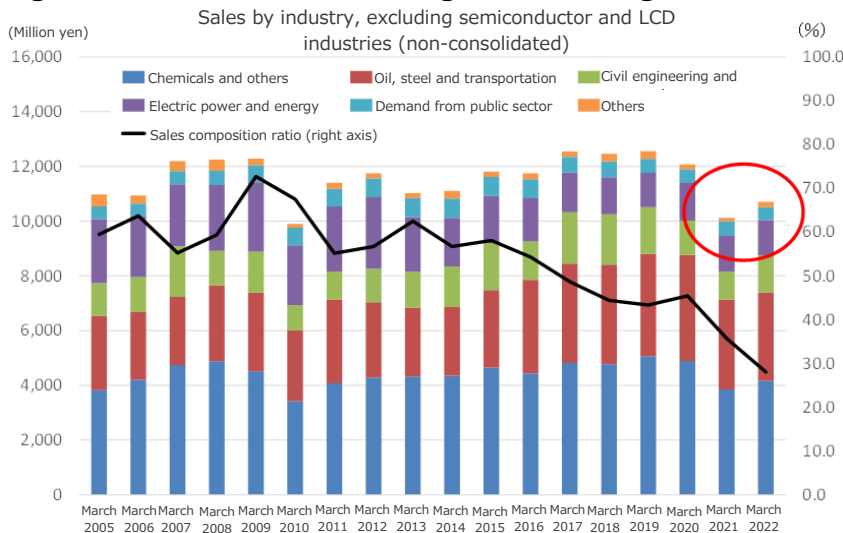
Looking at sales by industry, sales in the chemical industry increased, and in the electric power and energy business, it seems that transactions related to ammonia co-firing at thermal power plants are increasing. Expectations are placed on the creation of new demand with the energy transition toward carbon neutrality.

Improvement of profitability is remarkable. There is a movement to create new demand.

**Figure 11: Profitability has apparently been improved although sales remain low**



**Figure 12: Demand from existing industries began to recover**



Source: Created by CGRA based on company materials

• **Trend of Overseas Sales**

**Earnings increased significantly in every region, mainly in the electronic equipment business**

Consolidated sales in the fiscal year ended March 2022 increased significantly to 40.7 billion yen, up 35% from a year earlier. When looking at domestic and overseas sales separately, domestic sales hit 28.3 billion yen, up 32% from a year earlier, and overseas sales 12.4 billion yen, up 51%; the ratio of overseas sales reached a record high of 30.5% (up 3.3 pts. from a year earlier). The average exchange rate of the yen to the dollar and the euro during the period was about 6% lower than a year earlier, so overseas sales on a local currency basis are estimated to have increased about 45% year-on-year.

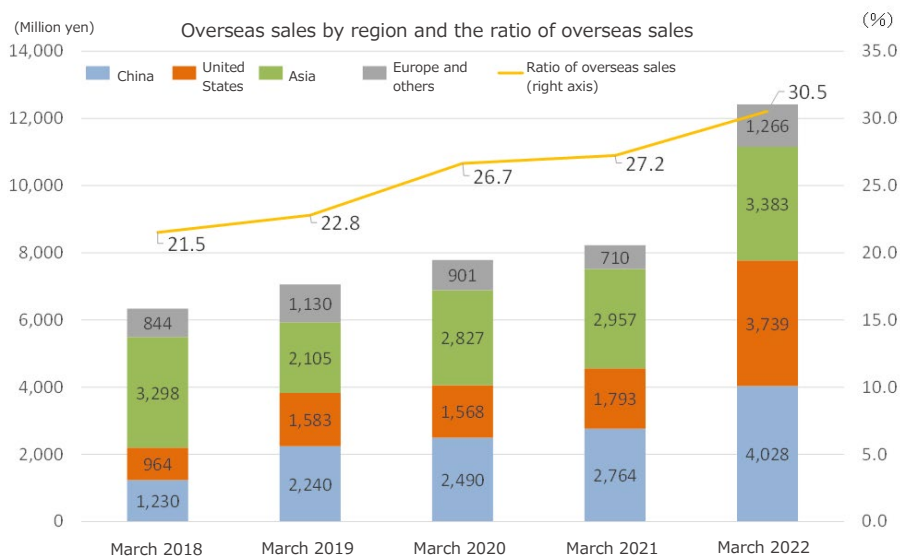
Overseas sales by region are as follows: 4 billion yen in China, up 46% from a year earlier; 3.7 billion yen in the United States, up 109%; 3.4 billion yen in Asia including Taiwan and South Korea, up 14%; and 1.3 billion yen in Europe and other regions, up 78%.

It seems that the expansion of sales of products in the electronic equipment business, mainly the sales of fittings and bellows pumps, contributed to the growth in each region. In China, there was an increase in deliveries to local semiconductor manufacturing equipment manufacturers as well as deliveries to chemical solution transfer lines at device manufacturers' plants. In the United States, transactions of fittings with large semiconductor manufacturing equipment manufacturers increased. In Asia, although sales to device manufacturers increased, the amount of increase was small relative to other regions. Conversely, demand from Korean device manufacturers is expected to grow in the fiscal year ending March 2023. Taiwan TSMC is also continuing to make large-scale capital investments on the back of its robust earnings, and sales to Asia are expected to expand from the fiscal year ending March 2023 onward. In Europe, sales have been expanded to wafer cleaning equipment manufacturers.

Assumed exchange rates for the fiscal year ending March 2023 were 120 yen to the dollar (112 yen in the fiscal year ended March 2022) and 125 yen to the euro (130 yen in the same fiscal year). In addition to the continuing expansion of sales, the weaker yen is expected to boost sales. It is worth noting that many of the Company's products are small and light, making them less susceptible to rising ocean freight rates for containers.

Overseas sales increased significantly in every region. Stable growth is expected to continue down the road.

**Figure 13: Overseas sales increased significantly on a local currency basis too**



Source: Created by CGRA based on the Company's materials

• **Quarter-on-Quarter Results**

**Despite fear of shortages in materials, operating profit in 4th Q of the fiscal year ended March 2022 hits a record high**

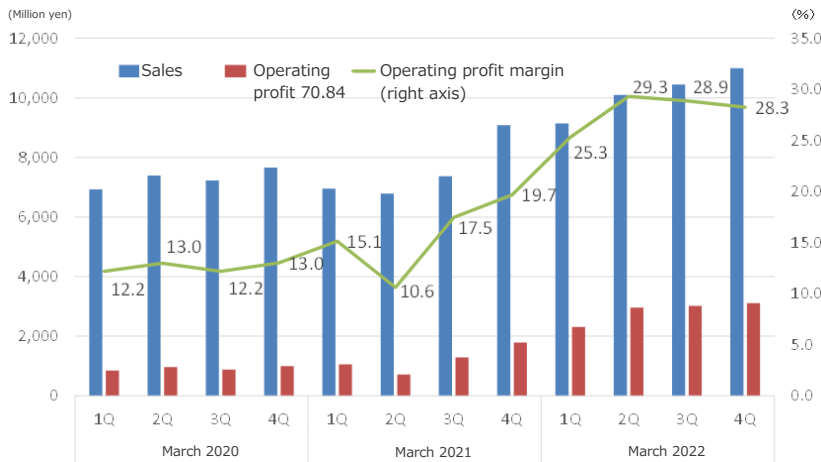
At the beginning of the fiscal year, the Company expected operating profit for the fiscal year ended March 2022 to be 6 billion yen, but at the end of the first quarter, the forecast was revised upward to 8 billion yen, and at the end of the second quarter, it was upgraded again to 10 billion yen. At the time of the financial report at the end of the third quarter, the Company was highly likely to upwardly revise its forecast again as the operating profit forecast for the fourth quarter obtained by deducting the total operating profit for the three quarters from the full-year operating profit forecast of 10 billion yen was 1.7 billion yen, down 4% from the same period of the previous year. Contrary to expectations, the Company left the full-year forecast unchanged, leading to a drop in its stock price. The Company did not change its full-year forecast in consideration of the risk of difficulty in procuring materials, fluororesin in particular. Even so, the Company ended up recording an operating profit of 11.4 billion yen at the end of the fiscal year ended March 2022, and an operating profit of 3.3 billion yen (operating profit margin of 18.3%) at the end of the fourth quarter, up 74% from the same period of the previous year (up 3% from the third quarter), hitting a record-high quarterly operating profit.

Despite its concerns, results in the 4th Q of the fiscal year ended March 2022 beat the expectations of the Company.

**Earnings of both segments greatly exceed the Company's forecast for the 4th Q**

Sales in the electronic equipment business in the fourth quarter of the fiscal year ended March 2022 increased 23% compared with the same period a year ago to 8 billion yen (the estimate by the Company was 5.8 billion yen), and operating profit increased 58% to 2.7 billion yen (operating profit margin of 33.1%; the estimate by the Company was about 1.7 billion yen). Sales in the industrial equipment business also increased 16% to 2.9 billion yen (the estimate by the Company was 2.5 billion yen), operating profit increased 306% to about 0.4 billion yen (operating profit margin of 14.7%; the estimate by the Company was 45 million yen), greatly exceeding the Company's forecast.

**Figure 14: Record-high earnings in the 4th Q of the fiscal year ended March 2022**



**Figure 15: The Company's stock price is highly correlated with quarterly operating profit**



Source: Created by CGRA based on company materials

• **Change in B/S and CF**

**Boasting a robust B/S with about 31% of its market capitalization in cash**

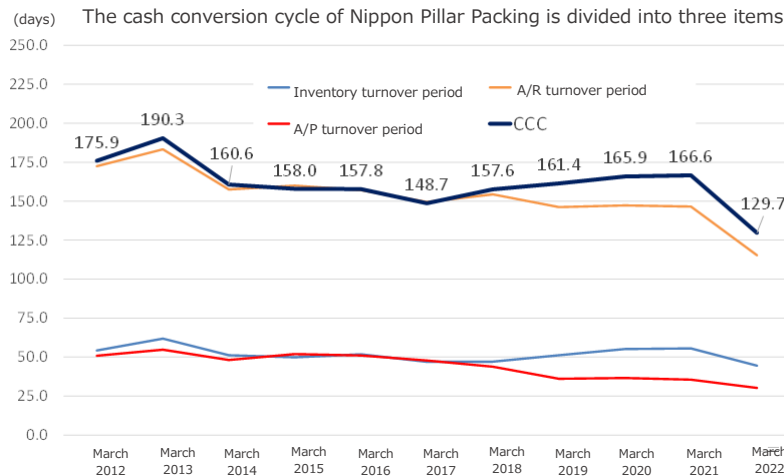
On the back of its significant growth in earnings, net assets increased by 6.9 billion yen from a year earlier to 52.7 billion yen at the end of the fiscal year ended March 2022, and ROE also rose to a record high of 16.8%. Total assets increased by 10 billion yen compared with a year ago to 65 billion yen due to an increase in income tax payable, notes payable and accounts payable, and the capital adequacy ratio was 81.0% (down 2.3 pts. from a year ago). The total long-term and short-term interest-bearing liabilities were about 400 million yen, meaning the Company is virtually debt-free. Capital investment in the fiscal year ended March 2022 was reduced to about 1 billion yen (depreciation expenses of about 2 billion yen), and the terms of payment for notes and accounts receivable were shortened. As a result, cash and deposits at the end of the fiscal year ended March 2022 were 21.2 billion yen (about 31% of the market capitalization). The cash conversion cycle improved to 130 days from 167 days thanks to a significant reduction in the A/R turnover period (to 115 days from 149 days).

In addition to robust B/S, the Company seems to have enhanced its cash-generation capability.

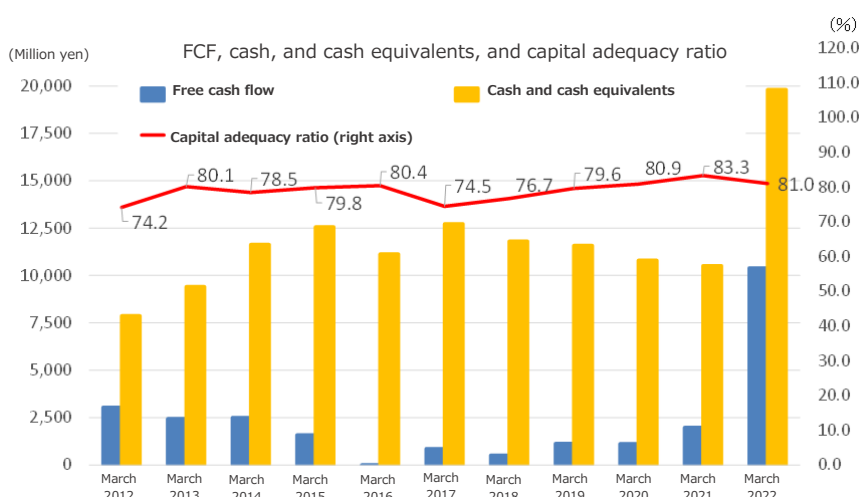
**The Company seems to have strengthened its cash-generation capability**

Cash flow from operating activities in the fiscal year ended March 2022 was 12 billion yen, up 6.3 billion yen from a year earlier, because measures to curb working capital such as inventory assets were taken while the net profit before taxes increased significantly to 11.8 billion yen from 4.8 billion yen. Cash flow from investing activities was 1.6 billion yen, and free cash flow was up 8.4 billion yen from a year ago to 10.4 billion yen. The cash flow from financing activities was 1.7 billion yen, and cash and cash equivalents at the end of the fiscal year amounted to 19.8 billion yen.

**Figure 16: Significant improvements in cash conversion cycle**



**Figure 17: Cash and cash equivalents grow to about 20 billion yen**



Source: Created by CGRA based on company materials

• **Highlights from the Results of the FY Ended March 2022**  
**With further growth in view, construction of Fukuchiyama Plant #2 announced**

Currently, the Fukuchiyama Plant, which is the main plant in the electronic equipment business, takes on more than 70% of the production in the segment, and the Kyushu Plant (plant producing mainly tubes as well as fittings) takes charge of the remaining, nearly 30%. At the Fukuchiyama Plant, injection molding of PFA has been mainly adopted to produce fittings, while at Nippon Pillar Corporation of America in Houston, Texas, U.S.A., machining of PTFE has been used to produce fittings.

This time, the Company announced the construction of Fukuchiyama Plant #2 as a core plant for its electronic equipment business, with its 100th anniversary in 2024 and 100 years after that in view.

They have three concepts: strengthening competitiveness by establishing new production system, meeting the high-quality standard required by customers, and constructing an open plant showing the attractive technologies of the Company.

The plant will be constructed on a site with an area of 80,006 m<sup>2</sup> owned by the Company, which is adjacent to the current Fukuchiyama Plant. An investment of 10.5 billion yen will be made to construct Plant Building #1 with a total floor area of 19,570 m<sup>2</sup>, and it is planned to be completed in September 2023 and start production in October of the same year.

The target production capacity to be secured, including the investment made to increase the production of the currently owned Kyushu Plant, is 65 billion yen, 1.8 times the present production capacity of about 36 billion yen. Furthermore, the construction of Plant Buildings from #2 to 4 will be pushed forward with in accordance with trends in demand, and a production capacity of the 150 billion yen level will be secured in the end.

**Further growth can be expected toward 2030**

There is a consensus that the size of the semiconductor market will double in 2030 compared with 2020. In addition to that, due to technological advances such as miniaturization and lamination, and diversified investment for economic security, capital investment in semiconductor-related facilities is expected to grow faster than the growth rate of the semiconductor market.

In recent years, the Company has been marking a higher growth rate and profitability than competitors as a result of a capital investment of as much as 15.8 billion yen it made over the period from the fiscal year ended March 2017 through the fiscal year ended March 2020, ahead of other companies. The capital investment for Fukuchiyama Plant #2 is expected to pave the way for the Company to grow further toward 2030.

A plan for the construction of the new plant for further growth was announced.

Currently there is a room of about 20% for the increase from the current production capacity of about 36 billion yen.

**Figure 18: Construction of core plant for future growth started**

Concepts	
Strengthening our cost competitiveness by establishing a new production system	
Responding to strict quality requirements from customers	
A factory with open structure that takes advantage of our technologies	



\* The three rear lots are areas that can be extended in the future (the front one lot is for the factory to be constructed this time)

Factory Outline	
Address	3-17-6, Osadanocho, Fukuchiyama City, Kyoto
Start of construction	April 2022
Due for completion	September 2023
Due for operation start	October 2023
Total investment	105 hundred million yen
Total factory floor area	19,570 m <sup>2</sup>
Site area	80,006 m <sup>2</sup>



\* Main entrance



\* Visitor passage



\* Entrance hall

Source: Materials for the briefing of financial results of the Company

## (4) Forecast for the FY Ending March 2023 and Medium-term Management Plan

- Material procurement and improvement in productivity are key to accelerating business performance again

### Record-high earnings are expected for the fiscal year ending March 2023 again.

The consolidated performance forecast for the fiscal year ending March 2023 is as follows: sales will hit a new high as in the previous year, achieving 44 billion yen, up 8% from a year earlier; operating profit will be 11.8 billion yen (operating profit margin of 26.8%), up 4%; ordinary income will come to 11.8 billion yen, down 0.2%; net profit will post 8.3 billion yen (expected net profit per share of 351.09 yen), up 0.2%; and expected dividend per share will be 108 yen (up 2 yen from a year earlier).

When the performance is estimated by segment, sales in the electronic equipment business will increase 9% (up 2.8 billion yen) compared with a year ago to 33.2 billion yen, and operating profit will increase 3% (up about 300 million yen) to 10 billion yen, with an operating profit margin of 30.1%. In the industrial equipment business, sales are expected to increase 6% (up about 700 million yen) to 10.8 billion yen, and operating income is expected to grow 13% (up about 200 million yen) to 1.8 billion yen, with an operating profit margin of 16.7%. In the industrial equipment business, sales of products other than rotary joints for CMP are also expected to increase slightly.

### Performance forecast subject to upside and downside risks depending on procurement volume and price trends of fluoro resin

Trends in the simple marginal profit ratio in the electronic equipment business are explained on page 8. The Company expects the simple incremental margin ratio to fall from 57% in the fiscal year ended March 2022 to 9% at the end of fiscal year ending March 2023. Like this, although earnings in the electronic equipment business are expected to rise from a year earlier, marginal profit ratio is assumed to drop due to difficulties in procuring fluoro resin, which is the main raw material, and a hike in its price. The Company intends to take the following measures: (1) securing production that meets demand by taking various measures in cooperation with suppliers while assuming that the volume of fluoro resin to procure will be the same level as in the previous year, (2) maximizing the volume of shipments by working hard to improve production yields as it did in the fourth quarter of the fiscal year ended March 2022, and (3) striving to revise product prices. Its efforts to improve profitability are likely to produce effects in the second half of the fiscal year ending March 2023 and subsequent periods too. The forecast for the fiscal year ending March 2023 may be revised upward, but there is still a risk that material manufacturers may raise prices further. Similarly, the simple marginal profit ratio expected in the industrial equipment business for the fiscal year ending March 2023 is 32%. In the industrial equipment business, about half of the sales are accounted for by highly profitable and stable repair businesses (excluding rotary joints), and the estimated marginal profit rate is a relatively reasonable forecast.

Record-high earnings are expected for the fiscal year ending March 2023 again.

Temporary drop in incremental margin ratio is expected in the fiscal year ending March 2023.

**Figure 19: Performance forecast by the Company for the fiscal year ending March 2023**

(Unit: Million Yen)

	BTvision19 FYE March 31, 2020	BTvision22 FYE March 31, 2023			Increase (Decrease)	
	<Final fiscal year actual results>	Actual results at FYE March 31, 2021	Actual results at FYE March 31, 2022	Final fiscal year outlook at FYE March 31, 2023	[2]-[1]	
	[1]				Increase (Decrease)	Change rate (%)
Sales	29,213	30,200	40,670	44,000	+14,787	50.6
Operating income	3,683	4,847	11,392	11,800	+8,117	220.4
Operating income ratio	12.6%	16.1%	28.0%	26.8%	+14.2P	—
ROE	6.2%	7.8%	16.8%	8.0% or higher	—	—
Payout ratio	36.8%	34.6%	30.3%	30.0% or higher	—	—
Amount of capital investment	(Three-year cumulative) 11,649	972	992	2,000	-7,685	-66.0
<b>By segment</b>						
<b>Electronic equipment business</b>						
Sales	18,221	20,645	30,414	33,200	+14,979	82.2
Operating income	2,253	4,130	9,737	10,000	+7,747	343.9
<b>Industrial equipment business</b>						
Sales	10,915	9,471	10,143	10,800	-115	-1.1
Operating income	1,404	691	1,589	1,800	+396	28.2

Source: Materials for the briefing of financial results of the Company

• **Progress of current medium-term business plan and new medium-term business plan from next FY**

**New three-year medium-term business plan to be announced in May 2023**

BTvision22, the medium-term business plan currently in progress, will enter its final year in the fiscal year ending March 2023. BTvision22 was launched as a medium-term plan for the three years from the fiscal year ended March 2021 through the fiscal year ending March 2023 with target sales of 32.5 billion yen, operating profit of 5.1 billion yen, ROE of 8.0% or more and a dividend payout ratio of 30% or more. At the end of the first year, however, the Company raised its sales target to 35 billion yen and operating profit to 6.5 billion yen, keeping its original ROE and dividend payout ratio unchanged. In the fiscal year ended March 2022, the second year of the plan, the Company revised upward its earnings and dividend forecasts two times during the fiscal year, ending up with sales of 40.7 billion yen, operating profit of 11.4 billion yen, ROE of 16.8% and a payout ratio of 30.3%. This time, the earnings forecast expected for the fiscal year ending March 2023 (sales of 44 billion yen, operating profit of 11.8 billion yen, dividend payout ratio of 30.8%) were set as the target values of the current medium-term business plan. The next three-year medium-term business plan toward the 100th anniversary in 2024 will probably be announced in May 2023.

The new three-year medium-term management plan toward the 100th anniversary in 2024 will probably be announced in May 2023.

**Assessment by CGRA and issues of current medium-term plan**

BTvision22, the current medium-term plan, was launched in April 2020 amid the COVID-19 pandemic with five basic policies: (1) expansion of business foundations, (2) deepening globalization, (3) creation of new businesses, (4) promotion of ESG/SDGs management, and (5) financial strategies. With regards to the expansion of business foundations, both segments have been seeing significant improvements in profitability because production yields are improving and lead times are being shortened in the electronic equipment business, and automation, labor-saving measures and augmentation of the repair business are working effectively in the industrial equipment business. Globalization is also progressing with the overseas sales ratio in the fiscal year ended March 2022 being increased remarkably to 30.5% (12.4 billion yen) from 26.7% (7.8 billion yen) two years ago. As regards the ESG/SDGs management, the Company expressed its support for TCFD while performing scenario analysis and setting KPIs (net zero Scopes 1 and 2 CO<sub>2</sub> emissions in 2050), strengthened initiatives related to diversity and inclusion while setting KPIs, and promoted the establishment of sustainable value chains. In the financial strategies too, it is making its balance sheets more robust and enhancing its cash-generation capability. On the other hand, CGRA considers issues to be addressed by the next medium-term plan are the creation of new businesses, the identification and setting of materiality, and the setting of cash allocation.

**Figure 20: Results and measures of the current medium-term business plan**

	Achievements during FYE March 31, 2022	Action plan in the final fiscal year
Electronic equipment business	<ul style="list-style-type: none"> <li>Launched new type fitting "Sweep Elbow" contributing to low pressure loss and energy saving</li> <li>Started to construct the Fukuchiyama Second Factory</li> <li>Improved the yield rate and productivity through improvement activities</li> <li>Obtained the New Minister's Certificate of Commendation for rigid sliding bearings</li> <li>Proposed and experimentally manufactured an antenna PCB for 5G</li> </ul>	<ul style="list-style-type: none"> <li>Further improving cost competitiveness and supply capacity through defect rate reduction activities</li> <li>Starting a production line at Pillar Technology (Chuzhou) Co., Ltd. to manufacture products for semiconductor markets</li> <li>Expanding our business areas in the semiconductor markets and increasing the market share</li> <li>Further enhance production facilities for semiconductor manufacturing devices.</li> <li>Develop new products in industry-government-academia collaboration.</li> </ul>
Industrial equipment business	<ul style="list-style-type: none"> <li>Expanded our sales of mechanical seal products for precision machinery and equipment</li> <li>Delivered products to device manufacturers in the hydrogen markets, and also implemented experimental manufacturing and promoted proposals</li> <li>Experimentally manufactured resin fittings for mass production markets</li> <li>Strengthened sales and support capabilities by integrating sales subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Increasing our global market share of mass-produced products for automobile markets</li> <li>Strengthen global strategies that include expanding into the Chinese market.</li> <li>Increasing our market share of mechanical seal products for precision machinery and equipment</li> <li>Establishing a system for strengthening our repair parts business</li> <li>Developing seal products for the clean market (for providing clean products for people and environments)</li> </ul>

Source: Materials for the briefing of financial results of the Company



- **Nichias and Valqua announced new medium-term plans**  
**Nippon Pillar Packing to announce new three-year medium-term plan in May 2023**

The Company plans to release its next three-year medium-term plan at the announcement of its financial results in May 2023, whereas domestic competitors Nichias and Valqua announced their new medium-term business plans in May 2022.

**Nichias plans to increase earnings and strengthen B/S**

Nichias' previous medium-term plan came to its end at the end of the fiscal year ended March 2022 (the period from the fiscal year ended March 2017 to the fiscal year ended March 2022; its five-year plan was postponed one year due to the COVID-19 pandemic), with sales of 216.2 billion yen (target sales were 220 billion yen), operating profit of 26.3 billion yen, operating profit margin of 12.1% (target operating profit margin was 10% or more), and ROE of 15.2% (target ROE was 10% or more), all of which reached new record highs for the first time in three fiscal years.

This time, Nichias released *Shikumi* 130, its new five-year medium-term business plan, for the period from the fiscal year ending March 2023 to fiscal year ending March 2027 (the 130th anniversary). Targets set for the 1st stage, the first three years ending March 2025, are sales of 240 billion yen, operating profit rate of 13% (operating profit of 31.2 billion yen), and ROE of 12.5%, and self-image targets set for the 2nd stage, the remaining two years ending March 2027, are sales of 250 billion yen, operating profit margin of 15% (operating profit of 37.5 billion yen), and ROE of 13%. The company plans to invest a total of 60 billion yen in property and equipment over the next five years, while restricting interest-bearing liabilities to about 10 billion yen (25.7 billion yen at the end of the fiscal year ended March 2022) and raising the shareholder equity ratio to 70 to 75% (62.5% as of the end of the fiscal year ended March 2022).

As regards shareholder returns, the company plans to consider the repurchasing of its own shares (a stock repurchase of 5.5 billion yen in total was made during the period from the fiscal year ended March 2013 to the fiscal year ended March 2015) while securing an increase in dividend for consecutive years (13 consecutive years) and achieving a dividend payout ratio of 25 to 50%.

As environmental targets, the company also plans to reduce CO<sub>2</sub> emissions from 244,000 tons in the fiscal year ended March 2022 to 217,000 tons in the fiscal year ending March 2027 and industrial waste from 21,600 tons to 17,100 tons during the same period. In addition to that, it plans to reduce Scope 1 and 2 CO<sub>2</sub> emissions by 30% from the 2019 level in 2030, and the figures for Scope 3 emissions will be disclosed at the time of the announcement of its financial results in the second quarter of the fiscal year ending March 2023.

**Valqua intends to keep going on a path of growth including M&A**

On the other hand, in November 2020, Valqua announced its previous medium-term business plan NF 2022, which aims to achieve sales of 55 billion yen, operating profit of 5.5 billion yen, and ROE of 10% or more in the fiscal year ending March 2023. At the same time, the plan sets long-term business targets, sales of 80 billion yen and ROE of 15%, which it aims to achieve in the fiscal year ending March 2027, the year the company celebrates the 100th anniversary of its foundation. In the fiscal year ended March 2022, the company secured sales of 53.2 billion yen, operating profit of 7 billion yen and ROE of 12.8% (the record high was 14.2% in the fiscal year ended March 2018), and hit record highs in sales and operating profit, achieving the target values set in the medium-term plan one year ahead of schedule.

This time, while keeping the long-term earnings targets for the fiscal year ending March 2027 unchanged, Valqua released a new medium-term plan NF2023 for the two fiscal years ending March 2023 and 2024 (theme: strengthening of existing businesses and creation of new value), aiming to achieve sales of 70 billion yen, an operating profit of 7.5 billion yen and ROE of 12% as of the end of fiscal year ending March 2024. With an investment of 15 billion yen being planned for the next two years, of which 8 billion yen is for the investment in M&A, interest-bearing liabilities are expected to increase to 22 billion yen in the fiscal year ending March 2024 from 5.1 billion yen in the fiscal year ended March 2022, and the shareholder equity ratio is expected to drop to 48.9% from 66.0%.

In terms of cash flows, accumulated CF from operating activities for the period set by the medium-term plan is expected to be 15 billion yen, while expected CF from investing activities is 19 billion yen; that is FCF is expected to end up at negative 4 billion yen. With the aim of achieving the long-term management goals for the fiscal year ending March 2027, the year Valqua celebrates its 100th anniversary, the company considers the two fiscal years ending March 2023 and 2024 as the development and investment stage and fiscal years ending March 2025 and 2026 as the expansion and recovery stage.

Nichias released its new 5-year medium-term business plan.

Valqua released a new medium-term plan for the next two years while keeping the long-term goals unchanged.

**Figure 21: Details of Nichias' new medium-term plan**

(Billion yen)	Record high		130th anniversary	
	22/3	23/3E	25/3E	27/3 (Image)
Sales	216.2	225.0	240.0	250.0
Operating profit	26.3	26.5	31.2	37.5
Operating profit margin : %	12.1	11.8	13.0	15.0
ROE : %	15.2	–	12.5	13.0
ROIC : %	12.9	–	11.0	12.0
Liquidity on hand: month	3.0	–	3.0	3.0
Total interest-bearing liabilities	26	–	10	10
Shareholder equity ratio : %	62.5	–	70.0	75.0
Capex	11	10	60 for next 5 years	
Dividend per share : yen	86.0	88.0	–	
Dividend payout ratio : %	25.9	32.4	25~50%	
Shareholder return policy	Buyback shares also considered			
<b>Environment Target</b>				
CO2 emissions: 10,000 ton	24.4	–	22.0	21.7
Industry waste emissions: 1,000 ton	21.6	–	18.3	17.1

**Figure 22: Details of Valqua's new medium-term plan**

(Billion yen)	Record high		NF2023	100th anniversary
	22/3	23/3E	24/3E	27/3E
Sales	53.2	56	70	80
Operating profit	7.0	6.5	7.5	–
Operating profit margin : %	13.2	11.6	10.7	–
ROE : %	12.8	12.1	12.0	15.0 or more
Total interest-bearing liabilities	5.1	–	22.0	–
Shareholder equity ratio : %	66.0	–	48.9	–
Capex	4.2	15.0 (8.0 for M&A)		–
Dividend per share : yen	125	120	–	–
Dividend payout ratio : %	45.6	44.2	–	–
Shareholder policy	Target total payout ratio is 50%			
<b>Sales forecast by market</b>				
Advanced Technology market	22.3	23.6	31.0	–
Equipment market	16.6	17.5	22.8	–
Plant market	13.9	14.8	15.8	–
Others	0.4	0.1	0.4	–
Overseas sales ratio : %	35.0	35.4	33.0	–

Source: Created by CGRA based on materials on medium-term plans of the companies

## (5) Comparison with Competitors and Analysis of Growth Potential and Profitability

- Comparison of quarterly results with domestic competitors

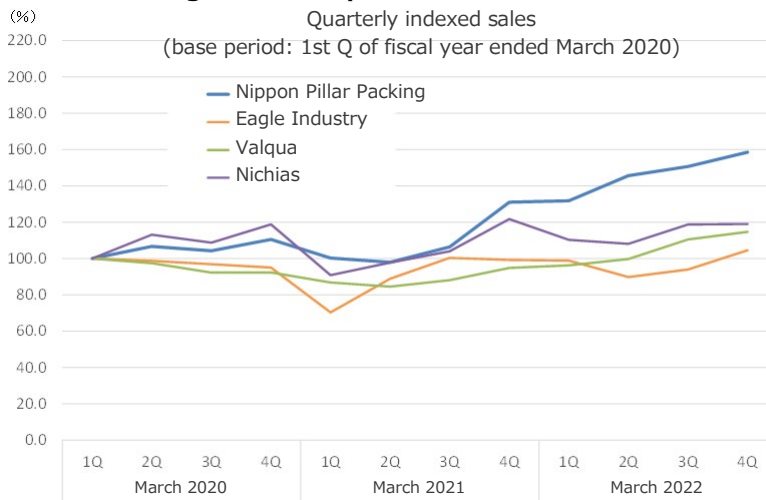
### Nippon Pillar Packing has a comparatively high ability to generate revenue and profits

We compared the quarterly sales, operating profits and operating profit margins of the Company over the past three years with those of domestic competitors, Eagle Industry, Valqua and Nichias.

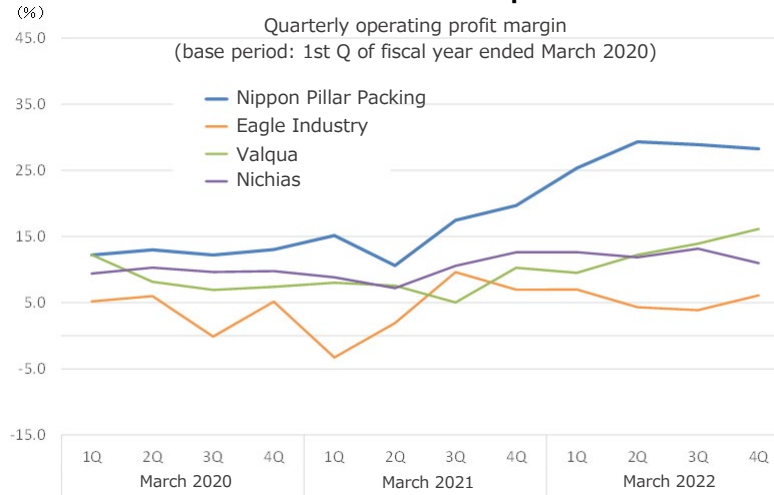
As of the fiscal year ended March 2022, the Company's dependence on the market related to semiconductors (high-performance and advanced fields) was about 72% (non-consolidated), which is relatively high compared with other companies: that of Valqua was about 42%, that of Nichias about 17%, and that of Eagle Industry about 9%. Looking at year-on-year sales growth in the same field, Valqua marked growth of 35%, Nichias 45%, and Eagle Industry 34%, while Nippon Pillar Packing marked 51%, surpassing the growth of other companies. In addition to the increase in demand for products for semiconductor manufacturing equipment manufacturers and expansion of capital investment by device manufacturers (products for chemicals transfer equipment at plants), factors that are considered to be behind this are that the Company acquired new customers mainly overseas, expanded sales of new products (sweep elbows, etc.) and enhanced its productivity (increased output) by improving production yields and other measures taken within the Company.

With the Company's original measures working effectively, it has a comparatively high ability to generate revenue.

**Figure 23: Nippon Pillar Packing's revenue structure shifting to that of growth companies**



**Figure 24: The Company's operating profit margin also significantly exceeds that of other companies**



Source: Created by CGRA based on company materials

- **Analysis of growth potential and profitability of electronic equipment business**

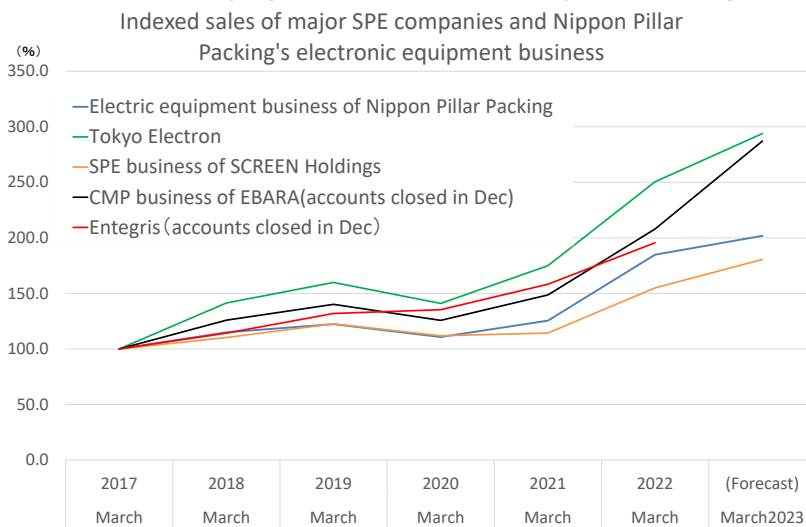
**Despite high profitability, the expected PER remains relatively low**

Figure 25 shows the indexed sales of the following companies with the sales in the fiscal year ended March 2017, six years ago, as 100: Nippon Pillar Packing's electronic equipment business; Tokyo Electron; SPE businesses of SCREEN Holdings; CMP business of EBARA; and Entegris, a U.S. competitor. All of these companies show a similar trend. With possible difficulties in procuring parts and materials, sales forecasts for the fiscal year ending March 2023 of all of them are subject to upside and downside risks.

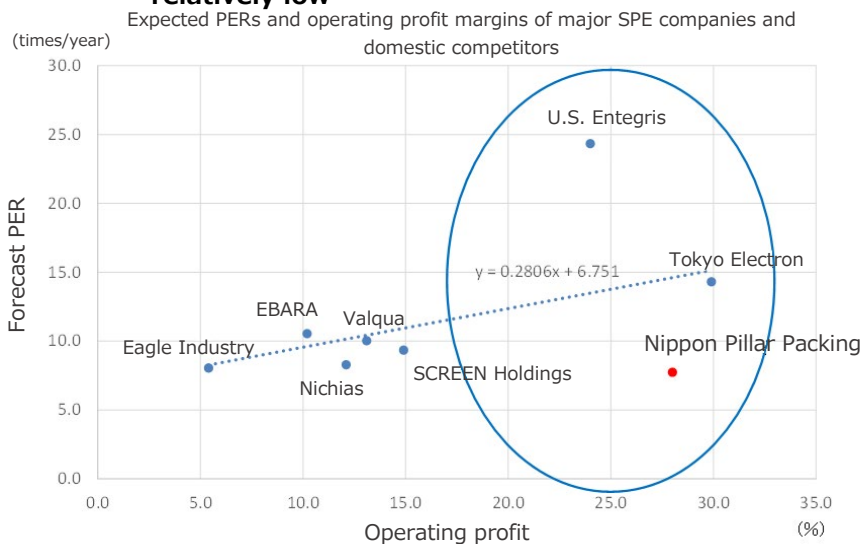
On the other hand, in Figure 26, we plotted the operating profit margin and expected PER in the fiscal year ended March 2022 of Entegris (fiscal year ended December 2021), a U.S. competitor, and domestic competitors, as well as Tokyo Electron, SCREEN Holdings, and EBARA (fiscal year ended December 2021). While Tokyo Electron and Entegris achieve both high profitability and high PER (14.3 times at Tokyo Electron, 24.3 times at Entegris), Nippon Pillar Packing's expected PER remains relatively low at 7.7 times regardless of its sales growth rate and profitability that are comparable with those of other companies. Rather, the Company's expected PER seems to be almost equal to that of the domestic competitors mentioned above (8.0 times at Eagle Industry, 10.0 times at Valqua, 8.3 times at Nichias).

Sales growth rate of the Company's electronic equipment business is comparable with that of major semiconductor manufacturing equipment manufacturers.

**Figure 25: The Company's electronic equipment business is growing at roughly the same rate as major SPE companies**



**Figure 26: Nippon Pillar Packing's expected forecast PER remains relatively low**



The Company's PER has been relatively low despite its high profitability.

Source: Created by CGRA based on company materials

• **Growth potential of industrial equipment business**

**New demand is expected to be created toward decarbonization**

The previous report pointed out that the worldwide expansion in decarbonization-related capital investment toward carbon neutrality had a positive impact on the industrial equipment business of the Company and that it had high growth potential in the long run. Looking at the breakdown of sales by market presented on page 30 of the Company’s financial results briefing material for the fiscal year ended March 2022, there is a description saying that “transactions related to ammonia co-firing increased” in the electric power and energy markets.

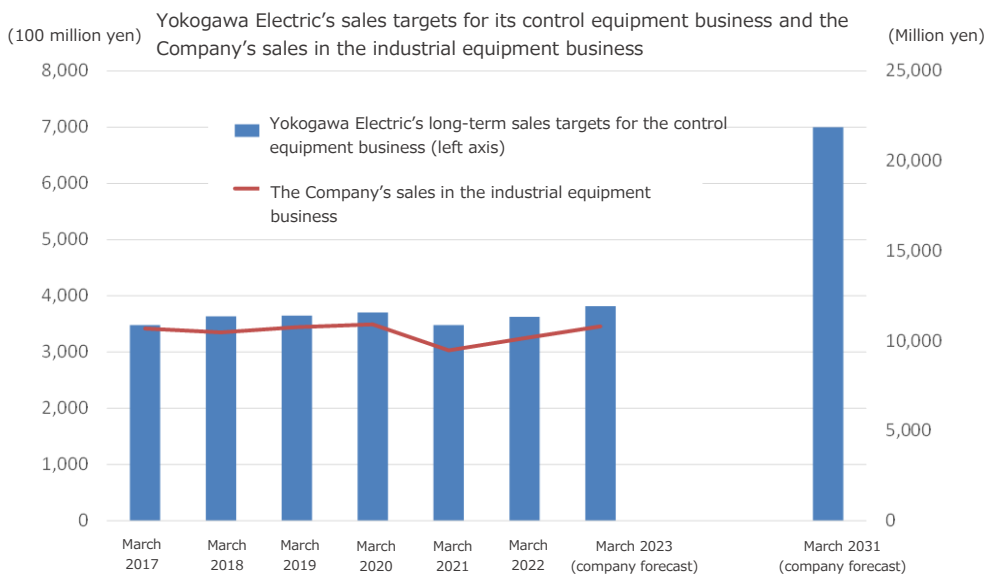
“Decarbonization” is the long-term growth theme for the industrial equipment business.

Mitsubishi Heavy Industries is trying to stimulate demand with its innovation, such as decarbonization using hydrogen, CO<sub>2</sub> absorption and recycling technologies. Similarly, IHI is actively promoting the commercialization of its decarbonization technology using ammonia. The Ministry of Economy, Trade and Industry also estimates that investments of as much as 17 trillion yen per year will need to be made in decarbonization-related businesses around 2030, and shares of the two related companies have hit new highs since the beginning of the year. In the previous report, we stated the long-term performance prospects of Yokogawa Electric and Nikkiso would serve as a leading indicator for the performance of the industrial equipment business of the Company. After that, Nikkiso sold its business, and it became impossible to monitor the continuity of this business. Figure 28 shows the long-term sales forecast of the control equipment business of Yokogawa Electric and sales of the Company’s industrial equipment business. CGRA considers decarbonization to be the keyword for the medium- to long-term growth of the industrial equipment business of the Company.

**Figure 27: Stock price chart of decarbonization-related stocks and the Company’s stock**



**Figure 28: “Decarbonization” is the keyword to the growth of industrial equipment business**



Source: Created by CGRA based on company materials

## (6) Augmentation of ESG Management

- Support for TCFD expressed and scenario analysis presented

### Disclosure of non-financial information on website improved

As part of its effort to promote ESG and SDGs, (1) the Company expressed support for TCFD in March 2022, setting the target of reducing Scope 1 and 2 CO<sub>2</sub> emissions 50% compared with the 2013 level by 2030 and achieving net-zero emissions by 2050. (2) The Company plans to increase the sales of environmentally friendly products that will contribute to the realization of a decarbonized society to about 3 billion yen in 2025 and about 6 billion yen in 2030 from about 1.3 billion yen in 2020. (3) To activate discussions on the reduction of carbon emissions in businesses and capital investments, the Company introduced the internal carbon pricing (ICP) system, and started discussions while taking into account the CO<sub>2</sub> emission cost, which is calculated by multiplying carbon price, CO<sub>2</sub> emissions from facilities and service life, on the assumption that a ton of CO<sub>2</sub> is 9,200 yen. (4) To promote diversity management, the Company plans to increase the ratio of female managers to 5% in 2025 and 10% in 2030 from 3% in 2022. The employment rate of persons with disabilities was 2.55% in the fiscal year ended March 2022, and the Company is planning to promote and maintain an employment rate higher than the statutory required rate of 2.3%.

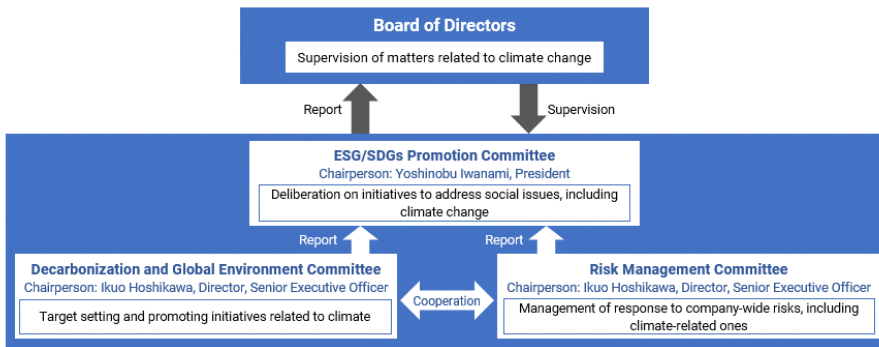
Further promotion of ESG management is planned under the chairmanship of President Iwanami.

**Figure 29: Climate change-related business opportunities and risks**

	[1] 1.5°C - 2°C Scenario (Decarbonized society)	[2] 3°C - 4°C Scenario ("Let it ride" society)	
Future world views	A scenario in which social changes associated with the transition to a decarbonized society affect our business	A scenario in which climate change mitigation measures turn out to be unsuccessful, allowing global warming to progress as a natural consequence and affect our business	
	Ambitious policies and innovation of environmental technologies can be implemented to control the average temperature increase before the end of this century to between 1.5°C and 2°C and to achieve sustainable development.	Although each country implements policies to achieve its target in line with the Paris Agreement, international cooperation, environmental technology development, energy conversion, etc. turn out to be insufficient, and the average temperature increase until the end of this century will be approx. between 3°C and 4°C.	
Major climate-related drivers	Policies / Regulations	•Global carbon pricing and carbon price increase	•Carbon price remains low
	Market	•Spread of autonomous driving •Increase in demand for semiconductors in conjunction with advances in communication and information processing technologies  •Energy source conversion from fossil fuels to clean energy •Shift of energy mix to "renewable energy plus nuclear power" •Progress of EV shift •Soaring prices of highly carbon-intensive raw materials (steel materials, etc.)	•Continued dependence on fossil fuels, soaring fossil fuel prices •Continued operation of thermal power plants •Continued sales of vehicles equipped with internal combustion engines
	Technology	•Intensifying competition for technological development toward a decarbonized society •Progress in the development of CCUS* technology, increase in CO <sub>2</sub> transfer volume	—
	Changes in weather and climatic, environment	—	•Frequent and severe flood damage •Depletion of water resources and deterioration of water quality
	Details of risks	Time axis	Measures against risks
Policies / Regulations	Burden of carbon price according to the amount of GHG emissions of the company	Medium term	Reduction of GHG emissions by promoting energy-saving and energy-creating initiatives
Market	Decrease in demand for fluid control equipment in the electricity and energy markets as the use of alternatives to fossil fuels is promoted	Medium to long term	Monitoring trends in energy shifts and EV shifts, and strategic response
	Decrease in demand for fluid control equipment for vehicles equipped with internal combustion engines	Short to medium term	
Technology	Intensifying competition for technology and product development toward a decarbonized society	Medium term	Acceleration of research and development of technologies and products considering environmental load reduction, such as energy saving, resource saving, and space saving
Changes in weather and climatic, environment	Occurrence of floods in and around the company's main business sites	Short term	Promotion of measures for disaster preparedness at high-risk sites, strengthening of cooperation between sites, and review/strengthening of BCP

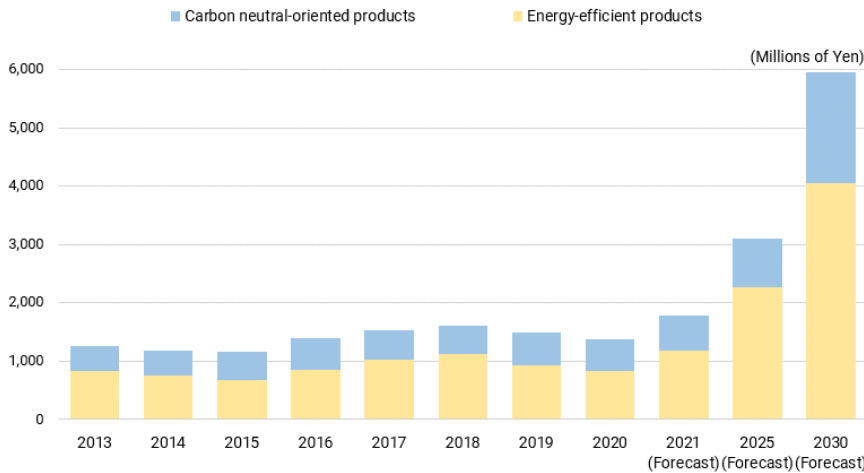
Source: Website of the Company

**Figure 30: Climate change-related governance and risk management system**



Highly flexible management system was established.

**Figure 31: Sales plan for environmentally friendly products for decarbonization**



Efforts will be focused on the development of environmentally friendly products and the expansion of their sales.

**Figure 32: CO<sub>2</sub> emission reduction targets**

[Greenhouse gas emissions]

Toward climate change mitigation, the Group is actively working to reduce greenhouse gas emissions through energy-saving activities, private solar power generation on its own site, and other efforts.

In order to continue contributing to the realization of a decarbonized society, we have set the following targets in line with the Paris Agreement and policies established by the Japanese government.

- CO<sub>2</sub>emissions reduction target (consolidated/Scope 1+2)
- Long-term target: CO<sub>2</sub>emissions in FY 2050 "Net-zero"
- Medium-term target: CO<sub>2</sub>emissions in FY 2030 to be "reduced by 50%" compared to FY 2013
- Short-term target: CO<sub>2</sub>emissions in FY 2025 to be "reduced by 25%" compared to FY 2013

To achieve the above targets, we are committed to further promoting energy-saving activities and introducing clean energy.

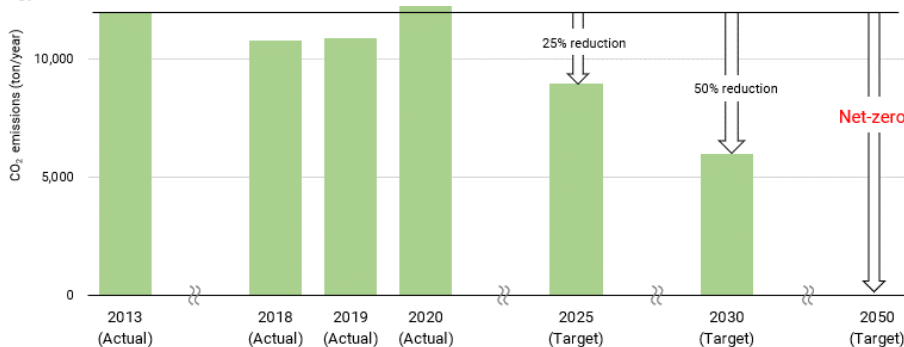


Chart: Actual CO<sub>2</sub> Emissions and Reduction Targets (Scope 1+2)

Disclosure of Scope 3 emissions is a challenge to be tackled.

Source: Website of the Company

## (7) Shareholder Returns and Stock Valuation

### • Shareholder returns and TSR

#### Flexible and swift stock repurchases can also be expected

The Company's dividend policy presented for the period of the current medium-term plan (from fiscal year ended March 2021 to fiscal year ending March 2023) is to (1) secure stable and continuous payments of dividend, (2) aim for a dividend payout ratio of 30% or more, and (3) consider the possibility of buying back its own shares flexibly and swiftly in consideration of the balance with growth investments.

The dividend per share in the fiscal year ended March 2021 that started amid the COVID-19 pandemic was 50 yen (interim: 20 yen; ending: 30 yen), and the dividend payout ratio was 34.6%. Even so, due to the stock repurchases (532,000 shares for 800 million yen in total), the total payout ratio was 57.5%. Dividend per share in the fiscal year ended March 2022 was 106 yen (interim: 45 yen; ending: 61 yen), and the dividend payout ratio was 30.3%. As earnings grew, the expected dividend per share, which was 60 yen at the beginning of the period, was revised upward twice (to 90 yen from 70 yen) and then came out to be 106 yen.

The expected dividend per share for the fiscal year ending March 2023 is 108 yen (payout ratio of 30.8%). Capital investment for the fiscal year ending March 2023 is expected to be 2 billion yen, while that for the fiscal year ending March 2024 is expected to reach about 13 to 14 billion yen because the Company plans to construct Fukuchiyama Plant #2 and the development center in Sanda, whose construction has been delayed. On the other hand, cash and deposits on the BS have exceeded 20 billion yen, and the Company is likely to buy back its own shares depending on its future business performance.

#### The Company has achieved extremely attractive TSRs

The Company's stock in 2021 was the best-performing stock in the machinery sector in real terms (from 1,603 yen at the beginning of 2021 to 3,720 yen at the end of the year: about 2.3 times), with the exception of OKK, which announced it was to be taken over by Nidec. Looking at TSRs (total shareholder return: capital gain + cumulative dividend/stock price) over the past 10 years, the Company has generated higher returns than TOPIX and machinery stocks. For example, suppose you purchased shares of the Company for 1,501 yen five years ago, and the stock price became 3,080 yen at the end of the fiscal year ended March 2022, five years later. In this case, the capital gain would be +205%, but TSR would be +123.7% with the cumulative dividend of 277 yen added. The performance of TOPIX with dividends over the same period is +44.3%, and TSR of machinery stocks with dividends is +40.8%; that is, the Company's TSR significantly outperformed both of them. We would like to see the Company performing well going forward by increasing earnings over the long run and boosting shareholder returns.

Continuous shareholder returns are expected toward the 100th anniversary in 2024.

The Company has achieved attractive TSRs which take into account dividends.

**Figure 33: The Company's TSR significantly outperforms that of TOPIX and machinery stocks**

Timing when investment was	Nippon Pillar Packing TSR: %	TOPIX TSR: %	Machinery stock TSR: %	End of FY	Nippon Pillar Packing Year-end stock price: yen	Dividend per share: yen
–	–	–	–	March 2012	718	16.0
10 years ago	383.4	183.3	183.7	March 2013	778	16.0
9 years ago	344.1	128.8	132.6	March 2014	801	16.0
8 years ago	329.3	92.9	90.1	March 2015	1,001	20.0
7 years ago	241.6	47.6	49.3	March 2016	979	28.0
6 years ago	246.4	65.5	82.5	March 2017	1,501	34.0
5 years ago	123.7	44.3	40.8	March 2018	1,582	36.0
4 years ago	109.9	24.6	19.1	March 2019	1,277	45.0
3 years ago	156.5	31.2	36.7	March 2020	1,258	40.0
2 years ago	157.2	45.0	53.9	March 2021	1,864	50.0
1 year ago	70.9	2.0	-3.8	March 2022	3,080	106.0

Source: Created by CGRA



• **Stock valuation**

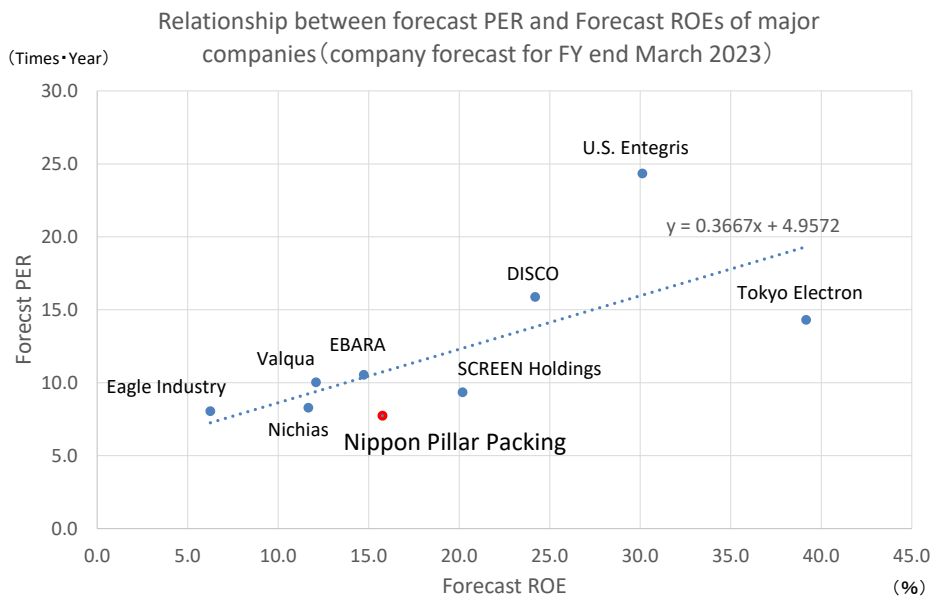
**The Company's stock valuation remains the lowest in the supply chain that it belongs to**

The electronic equipment business of the Company is highly dependent on the semiconductor-related market and has high growth potential and profitability that are comparable with those of Tokyo Electron and other companies. With the keyword of decarbonization, its industrial equipment business is likely to follow a growth path similar to that of Mitsubishi Heavy Industries and IHI. Even so, the valuation of the Company's stock has deviated significantly downward from those companies, giving it a multiple that is similar to its domestic competitors, such as Eagle Industry, Valqua, and Nichias. Possible factors behind this are that the risk premium increased due to concerns about a reactionary decline after the record closing in the fiscal year ended March 2022, and that the Company's market capitalization does not meet institutional investors' universe standards, etc. In any case, CGRA considers the Company's stock valuation to be the lowest among companies in the supply chain that it belongs to.

Regardless of the relatively high expected ROE, the Company presumes PER will remain low.

Using the formula of  $PBR = ROE \times PER$ , we reconfirmed the valuation of the Company's stock as of the end of the fiscal year ended March 2022 (stock price: 3,080 yen), and estimated as follows:  $PBR 1.38 = 15.7\%$  (ROE for a single year)  $\times PER 8.8$ . That is, despite its relatively high capital efficiency (ROE), the stock market seems to doubt the Company's growth in earnings (PER is 8.8 times/year) will continue. Figure 34 is a scatter plot of the relationship between expected PERs and ROEs of major companies in their company forecast (consensus). It shows that the Company's expected PER is relatively low despite its high expected ROE.

**Figure 34: Relationship between expected PERs and ROEs of major companies**



**Figure 35: Valuation and market capitalization of major companies**

(times, %, 100 million yen)	Forecast PER	Actual PBR	Forecast ROE	Market Cap
Nippon Pillar Packing	7.7	1.2	15.8	680
Tokyo Electron	14.3	5.6	39.2	75,524
SCREEN Holdings	9.3	1.9	20.2	5,095
U.S. Entegris	24.3	7.3	30.1	16,758
EBARA	10.5	1.6	14.7	4,851
DISCO	15.9	3.8	24.2	11,244
Eagle Industry	8.0	0.5	6.3	481
Valqua	10.0	1.2	12.1	509
Nichias	8.3	1.0	11.7	1,524

Source: Created by CGRA based on materials of the companies

## (8) Financial Data

Figure 36: Consolidated Balance Sheet and Cash Flow Statement

(¥ mn, %)	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3
<b>(Consolidated)</b>											
<b>Current assets</b>	<b>22,334</b>	<b>21,867</b>	<b>24,805</b>	<b>26,124</b>	<b>25,279</b>	<b>29,832</b>	<b>28,821</b>	<b>28,375</b>	<b>27,025</b>	<b>27,994</b>	<b>38,050</b>
Cash and deposits	9,259	10,763	13,093	13,929	12,451	14,060	13,153	12,912	12,196	11,918	21,165
Receivables	10,428	8,481	9,401	9,602	10,159	12,143	12,785	12,026	11,551	12,701	13,009
Marketable securities	0	94	0	0	0	112	0	0	0	0	0
Inventories	2,173	2,128	1,790	2,162	2,174	2,235	2,612	3,063	2,956	3,024	2,626
Other current assets	474	401	521	431	495	1,282	271	374	322	351	1,250
<b>Fixed assets</b>	<b>14,256</b>	<b>13,863</b>	<b>14,180</b>	<b>15,342</b>	<b>16,884</b>	<b>19,514</b>	<b>22,717</b>	<b>24,597</b>	<b>26,165</b>	<b>26,955</b>	<b>26,941</b>
Tangible fixed assets	11,770	11,304	11,254	11,510	13,901	15,493	18,107	20,266	21,971	20,669	20,272
Intangible fixed assets	56	78	75	75	94	107	105	173	251	246	222
Investments and other assets	2,430	2,481	2,851	3,757	2,889	3,914	4,505	4,158	3,942	6,038	6,446
<b>Total assets</b>	<b>36,590</b>	<b>35,731</b>	<b>38,986</b>	<b>41,466</b>	<b>42,164</b>	<b>49,347</b>	<b>51,933</b>	<b>52,972</b>	<b>53,190</b>	<b>54,949</b>	<b>64,991</b>
<b>Current liabilities</b>	<b>6,790</b>	<b>5,024</b>	<b>6,052</b>	<b>6,213</b>	<b>6,267</b>	<b>9,193</b>	<b>8,960</b>	<b>8,608</b>	<b>8,313</b>	<b>7,133</b>	<b>10,113</b>
Notes accounts payable - trade	3,116	2,534	2,929	3,239	3,185	3,948	3,137	2,985	2,869	3,006	3,728
Short-term borrowings	868	776	575	516	352	737	727	639	689	254	250
Other current liabilities	2,806	1,714	2,548	2,458	2,730	4,508	5,096	4,984	4,755	3,873	6,135
<b>Long-term liabilities</b>	<b>2,665</b>	<b>2,077</b>	<b>2,348</b>	<b>2,154</b>	<b>1,991</b>	<b>3,413</b>	<b>3,137</b>	<b>2,194</b>	<b>1,866</b>	<b>2,038</b>	<b>2,219</b>
Long-term borrowing	1,119	543	656	339	187	1,410	882	443	4	0	0
Other long term liabilities	1,546	1,534	1,692	1,815	1,804	2,003	2,255	1,751	1,862	2,038	2,219
<b>Total liabilities</b>	<b>9,455</b>	<b>7,101</b>	<b>8,400</b>	<b>8,367</b>	<b>8,259</b>	<b>12,607</b>	<b>12,098</b>	<b>10,802</b>	<b>10,180</b>	<b>9,172</b>	<b>12,333</b>
Total shareholders equity	26,870	28,063	29,518	31,162	32,745	35,166	37,657	40,587	41,791	43,502	49,739
Total accumulated other comprehensive income	264	566	1,067	1,937	1,159	1,573	2,176	1,581	1,218	2,273	2,919
Total net assets	27,135	28,629	30,585	33,099	33,905	36,740	39,834	42,169	43,010	45,776	52,658
<b>Total liabilities and net assets</b>	<b>36,590</b>	<b>35,731</b>	<b>38,986</b>	<b>41,466</b>	<b>42,164</b>	<b>49,347</b>	<b>51,933</b>	<b>52,972</b>	<b>53,190</b>	<b>54,949</b>	<b>64,991</b>
	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3
<b>Operating CF</b>	<b>3,671</b>	<b>2,930</b>	<b>3,429</b>	<b>2,957</b>	<b>3,074</b>	<b>3,220</b>	<b>3,752</b>	<b>5,035</b>	<b>4,064</b>	<b>5,676</b>	<b>11,950</b>
<b>Profit before income taxes</b>	<b>3,833</b>	<b>2,522</b>	<b>3,031</b>	<b>3,124</b>	<b>3,595</b>	<b>4,609</b>	<b>5,014</b>	<b>5,456</b>	<b>3,653</b>	<b>4,837</b>	<b>11,822</b>
Depreciation	1,170	967	924	954	940	1,022	1,397	1,718	1,822	2,056	1,991
Trade receivables	11	1,970	-877	-94	-564	-1,989	-635	1,072	455	-1,155	-117
Inventories	-74	69	375	-337	-22	-71	-374	-346	101	-81	-538
Trade payables	84	-602	354	275	-48	759	-844	-496	-98	147	344
Income taxes	-1,483	-1,704	-532	-1,365	-968	-1,359	-1,739	-1,923	-1,505	-719	-1,775
others	130	-292	154	400	141	249	933	-446	-364	591	223
<b>Cash Flows from investmet activities</b>	<b>-624</b>	<b>-494</b>	<b>-927</b>	<b>-1,378</b>	<b>-3,230</b>	<b>-2,363</b>	<b>-3,244</b>	<b>-3,902</b>	<b>-2,950</b>	<b>-3,705</b>	<b>-1,551</b>
Purchase of securities	0	0	0	0	0	0	0	0	0	0	0
Purchase of investment securities	-5	-5	-115	0	-14	-596	-74	-132	-134	-168	-376
Proceeds from sales of investment securities	0	0	0	35	353	56	0	0	0	0	0
Purchase of property, plant and equipment and intangible assets	-412	-480	-839	-1,298	-3,549	-1,822	-3,207	-4,107	-2,760	-3,163	-1,365
Proceeds from sales of fixed assets	0	0	0	-125	0	0	0	614	18	0	0
Others	-207	-7	28	10	-20	0	37	-277	-74	-374	190
<b>FCF</b>	<b>3,047</b>	<b>2,436</b>	<b>2,502</b>	<b>1,579</b>	<b>-156</b>	<b>857</b>	<b>508</b>	<b>1,133</b>	<b>1,114</b>	<b>1,971</b>	<b>10,399</b>
<b>Cash flows from financial activities</b>	<b>-1,168</b>	<b>-1,088</b>	<b>-505</b>	<b>-839</b>	<b>-1,145</b>	<b>813</b>	<b>-1,455</b>	<b>-1,493</b>	<b>-1,862</b>	<b>-2,238</b>	<b>-1,711</b>
Net increase(decrease) in long term borrowings	-655	-668	-88	-375	-316	1,609	-537	-527	-439	-439	96
Net increase(decrease) in short term borrowings	0	0	0	0	0	0	0	0	50	0	0
Divident paid	-493	-396	-395	-444	-495	-781	-904	-952	-1,093	-958	-1,771
Purchase of treasury shares	0	0	0	0	-319	0	0	0	-337	-800	0
Others	-20	-24	-22	-20	-15	-15	-14	-14	-43	-41	-36
<b>cash and cash equivalents at the end of the period</b>	<b>7,869</b>	<b>9,409</b>	<b>11,631</b>	<b>12,561</b>	<b>11,132</b>	<b>12,729</b>	<b>11,813</b>	<b>11,582</b>	<b>10,798</b>	<b>10,517</b>	<b>19,809</b>

**Figure 37: Consolidated Profit and Loss Statement**

(¥ mn,%)												
(Consolidated base)	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3E
<b>Sales</b>	<b>22,086</b>	<b>18,831</b>	<b>20,720</b>	<b>21,675</b>	<b>22,960</b>	<b>27,225</b>	<b>29,461</b>	<b>30,963</b>	<b>29,213</b>	<b>30,200</b>	<b>40,670</b>	<b>44,000</b>
yoy	-0.8	-14.7	10.0	4.6	5.9	18.6	8.2	5.1	-5.7	3.4	34.7	8.2
Cost of goods sold	14,388	12,692	13,955	14,457	15,287	17,125	18,788	20,214	19,921	19,641	23,156	-
Cost of goods sold/Sales	65.1	67.4	67.4	66.7	66.6	62.9	63.8	65.3	68.2	65.0	56.9	-
SG&A	3,891	3,745	3,856	3,991	4,204	4,933	5,511	5,622	5,608	5,711	6,121	-
SG&A/Sales	17.6	19.9	18.6	18.4	18.3	18.1	18.7	18.2	19.2	18.9	15.1	-
<b>Operating profits</b>	<b>3,806</b>	<b>2,393</b>	<b>2,908</b>	<b>3,226</b>	<b>3,469</b>	<b>5,166</b>	<b>5,161</b>	<b>5,126</b>	<b>3,683</b>	<b>4,847</b>	<b>11,392</b>	<b>11,800</b>
yoy	-3.3	-37.1	21.5	10.9	7.5	48.9	-0.1	-0.7	-28.2	31.6	135.0	3.6
OP margin	17.2	12.7	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.0	28.0	26.8
Non-operating balance	14	129	122	221	25	90	-5	102	41	247	428	-
Non-operating profits	98	169	152	237	116	111	111	126	120	287	442	-
Non-operating losses	84	40	30	16	91	21	116	24	79	40	14	-
<b>Recurring profits</b>	<b>3,820</b>	<b>2,522</b>	<b>3,031</b>	<b>3,447</b>	<b>3,493</b>	<b>5,255</b>	<b>5,156</b>	<b>5,227</b>	<b>3,725</b>	<b>5,094</b>	<b>11,821</b>	<b>11,800</b>
yoy	-1.3	-34.0	20.2	13.7	1.3	50.4	-1.9	1.4	-28.7	36.8	132.1	-0.2
RP margin	17.3	13.4	14.6	15.9	15.2	19.3	17.5	16.9	12.8	16.9	29.1	26.8
Extraordinary balance	13	0	0	-323	102	-646	-142	229	-72	-257	1	-
Extraordinary profits	13	0	0	14	207	30	0	602	27	58	3	-
Extraordinary losses	0	0	0	337	105	676	142	373	99	315	2	-
Pretax income	3,833	2,522	3,031	3,124	3,595	4,609	5,014	5,456	3,653	4,837	11,822	-
Taxes and deferred taxes	1,599	932	1,176	1,137	1,198	1,405	1,592	1,737	1,017	1,391	3,536	-
Tax ratio	41.7	37.0	38.8	36.4	33.3	30.5	31.8	31.8	27.8	28.8	29.9	-
<b>Net profits</b>	<b>2,233</b>	<b>1,589</b>	<b>1,854</b>	<b>1,986</b>	<b>2,397</b>	<b>3,204</b>	<b>3,422</b>	<b>3,719</b>	<b>2,635</b>	<b>3,445</b>	<b>8,285</b>	<b>8,300</b>
yoy	-23.2	-28.8	16.7	7.1	20.7	33.7	6.8	8.7	-29.1	30.7	140.5	0.2
NP margin	10.1	8.4	8.9	9.2	10.4	11.8	11.6	12.0	9.0	11.4	20.4	18.9
EPS	90.22	64.23	54.58	80.29	97.23	131.06	139.98	152.13	108.57	144.66	350.47	351.09
<b>Segment sales</b>												
Industrial equipment business	11,167	9,970	9,683	9,797	10,352	10,680	10,467	10,757	10,915	9,471	10,146	10,800
Electronic equipment business	10,837	8,802	10,983	11,803	12,525	16,452	18,911	20,123	18,221	20,645	30,410	33,200
others	81	58	53	74	83	91	83	82	77	84	114	0
Consolidated sales	22,086	18,831	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670	44,000
<b>Segment profit</b>												
Industrial equipment business	2,217	1,833	1,434	1,528	1,527	1,828	1,337	1,485	1,403	691	1,589	1,800
Electronic equipment business	1,579	542	1,456	1,677	1,919	3,314	3,818	3,641	2,253	4,130	9,737	10,000
others	33	15	14	14	12	13	29	15	27	26	66	0
Eliminations	-23	2	3	5	10	9	-23	-16	0	0	0	0
Consolidated operating profit	3,806	2,393	2,908	3,226	3,469	5,166	5,161	5,126	3,683	4,847	11,392	11,800
<b>Segment profit margin</b>												
Industrial equipment business	19.9	18.4	14.8	15.6	14.8	17.1	12.8	13.8	12.9	7.3	15.7	16.7
Electronic equipment business	14.6	6.2	13.3	14.2	15.3	20.1	20.2	18.1	12.4	20.0	32.0	30.1
others	40.7	25.9	26.4	18.9	14.5	14.3	34.9	18.3	35.1	31.0	57.9	na
Consolidated operating profit	17.2	12.7	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.0	28.0	26.8
<b>Regional sales</b>												
Japan	19,087	16,707	17,565	17,647	19,156	22,416	23,124	23,904	21,427	21,975	28,254	-
Asia	2,216	1,458	2,095	2,862	2,565	3,172	4,528	4,345	5,316	5,721	7,411	-
Others	782	664	1,059	1,165	1,238	1,637	1,809	2,713	2,470	2,504	5,005	-
Consolidated sales	22,086	18,831	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670	-
Overseas sales	2,998	2,122	3,154	4,027	3,803	4,809	6,337	7,058	7,786	8,225	12,416	-
<b>YoY growth rate</b>												
Japan	1.0	-12.5	5.1	0.5	8.6	17.0	3.2	3.4	-10.4	2.6	28.6	-
Asia	-12.4	-34.2	43.7	36.6	-10.4	23.7	42.7	-4.0	22.3	7.6	29.5	-
Others	-7.7	-15.1	59.5	10.0	6.3	32.2	10.5	50.0	-9.0	1.4	99.9	-
Consolidated sales	-0.8	-14.7	10.0	4.6	5.9	18.6	8.2	5.1	-5.7	3.4	34.7	-
Overseas sales	-11.2	-29.2	48.6	27.7	-5.6	26.5	31.8	11.4	10.3	5.6	51.0	-
Overseas sales ratio	86.4	88.7	84.8	81.4	83.4	82.3	78.5	77.2	73.3	72.8	69.5	-
Domestic sales ratio	13.6	11.3	15.2	18.6	16.6	17.7	21.5	22.8	26.7	27.2	30.5	-

## Analysts Responsible for this Report

### **Shinji Kuroda, Partner and Senior Analyst**

Kuroda joined Kankaku Research Institute (now Mizuho Securities) in April 1992, assigned to the Industrial Research Department. He then would join 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. Member of the Machinery Industry Disclosure Committee, The Securities Analysts Association of Japan

### **Hidehiko Hoshino, CMA, Representative Director and Chief Advisor**

Hoshino joined Shinko Securities (currently Mizuho Securities) in April 1987, assigned to the Corporate Research Department. He then would join Jardine Fleming Securities (now JP Morgan Securities) in 1997, joining Deutsche Securities in 2000 and UBS Securities in 2006, where he would serve until April 2016. As a sell-side analyst, he has been in charge of the machinery, shipbuilding, heavy machinery, and plant sectors for 28 years. Has served for more than 10 years as Vice Chairman of the Machinery Industry Disclosure Committee, The Securities Analysts Association of Japan. He served as Managing Director from 2003 to 2016. In June 2017, Hoshino established Capital Goods Research & Advisory Co., Ltd. (CGRA), and was appointed as Representative Director. Certified Analyst, The Securities Analysts Association of Japan

### **Capital Goods Research & Advisory Co., Ltd.**

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