April 3, 2024

Company: Nippon Pillar Packing Co., Ltd.
Representative: Yoshinobu Iwanami, President
(Securities code: 6490;
Prime Market of the Tokyo
Stock Exchange)
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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
April 3, 2024

Analyst in charge

Shinji Kuroda
Hidehiko Hoshino CMA

Capital Goods Research & Advisory (CGRA)

Nippon Pillar Packing (6490)

Executive Interview: Market cap of 100 billion yen is a passing point; the Company is aiming for a higher level

- **Overview:** Nippon Pillar Packing (hereinafter the "Company") is a high-growth, high-profit company that has secured a 1.8-fold increase in sales, a 2.7-fold increase in operating profit, and a 4.3-fold increase in stock price over the past five years. The Company is expected to continue to have high growth potential and further improve profitability and ROE with the keywords of "Semiconductors" and "Decarbonization." With the Company's market capitalization exceeding 100 billion yen, Capital Goods Research & Advisory (CGRA) believes that its stock price valuation, which has remained low, may be revised as it begins to broaden its investor base and gain recognition in Japan and abroad. This report features interviews conducted by CGRA with President Wada of Tanken Seal Seiko Co., which is now part of the Nippon Pillar Packing Group, as well as the Company's Engineering Headquarters General Manager, CFO, and the heads of the business units, about the Company's growth potential in the medium to long term from the fiscal year ending March 2025 onward, room for improvement in operating profit margin, stock valuations and expected market capitalization, and more.
- **Business Performance:** At the time of the third quarter results announcement on February 13, 2024, the Company upwardly revised its forecast for operating profit for the fiscal year ending March 2024 from the initial forecast of 12.5 billion yen to 13.6 billion yen (operating profit margin of 23.9%), a 1.8% decrease from the previous fiscal year, and raised its annual dividend per share from 120 yen to 149 yen (payout ratio of 34.7%). The operating profit forecast for the electronic equipment business was raised from 10.5 billion yen to 11.0 billion yen (operating profit margin of 27.5%), a 6.5% decrease from the previous fiscal year, thanks to product price hikes and other factors. The operating profit forecast for the industrial equipment business was raised from 2.0 billion yen to 2.6 billion yen (up 26.3% y-o-y; operating profit margin of 15.3%) on the back of higher demand for repair parts, which are highly profitable, and an upturn in Tanken Seal Seiko's performance. Under the medium-term management plan, "One2025," which ends in the fiscal year ending March 2026, the Company plans sales of 66 billion yen and operating profit of 17 billion yen (operating profit margin of 25.7%); sales of 48 billion yen and operating profit of 14.5 billion yen for the electronic equipment business, and sales of 18 billion yen and operating profit of 2.5 billion yen for the industrial equipment business, but the industrial equipment business is expected to achieve its operating profit target two years ahead of schedule in the fiscal year ending March 2024.
- **ESG Management:** Under the "One2025" medium-term management plan, the Company set KPIs in nine sustainability items (non-financial) and added ESG indicators to the evaluation items for executive compensation. The Company received a B score on the CDP in 2023 (B- in 2022) and plans to deepen its TCFD and strengthen its TNFD disclosure initiatives, as well as invest in and develop its human capital through a newly established HR Strategy Group. The board of directors also appears to be more effective.
- **Stock Valuation and Shareholder Returns:** The Company has significantly outperformed TOPIX and the machinery sector in terms of total shareholder returns (TSR), giving the impression that it is providing shareholder returns with a strong stock price awareness that takes into account capital and income gains. Compared with the seven major semiconductor and factory automation companies, the Company has relatively high operating profit margins and expected ROE, while its PBR and PER appear to remain low.

Consolidated financial results and stock market data

Trading data	
Stock price（April/2/2024)	JPY 6,080
52-weeks range	JPY 4,265~6,400
Market cap	JPY 152.3billion
Number of outstanding shares	25.0 million shares
Avarage trading value（20 days)	JPY 520 million
Company forecast PER	14.2 times
PBR(As of March 2023)	2.4 times
Company forecast DPS	JPY 149
Company forecast Dividend yield	2.5%
ROIC（March 2023)	16.9%

Performance : Billion JPY	19/3	20/3	21/3	22/3	23/3	24/3COE
Sales	30.9	29.2	30.2	40.6	48.7	57.0
Operating profit	5.1	3.6	4.8	11.3	13.8	13.6
Ordinary profit	5.2	3.7	5.0	11.8	14.1	14.2
Net profit	3.7	2.6	3.4	8.2	10.4	10.0
EPS:yen	152.1	108.6	144.7	350.5	351.1	429.1
ROE : %	9.1	6.2	7.8	16.8	18.6	-
DPS : yen	45.0	40.0	50.0	106.0	133.0	149.0
Dividend payout ratio : %	29.6	36.8	34.6	30.3	30.0	34.7
FCF	1.1	1.1	1.9	10.3	5.4	-
NetCash	11.8	11.5	11.6	20.8	21.1	-

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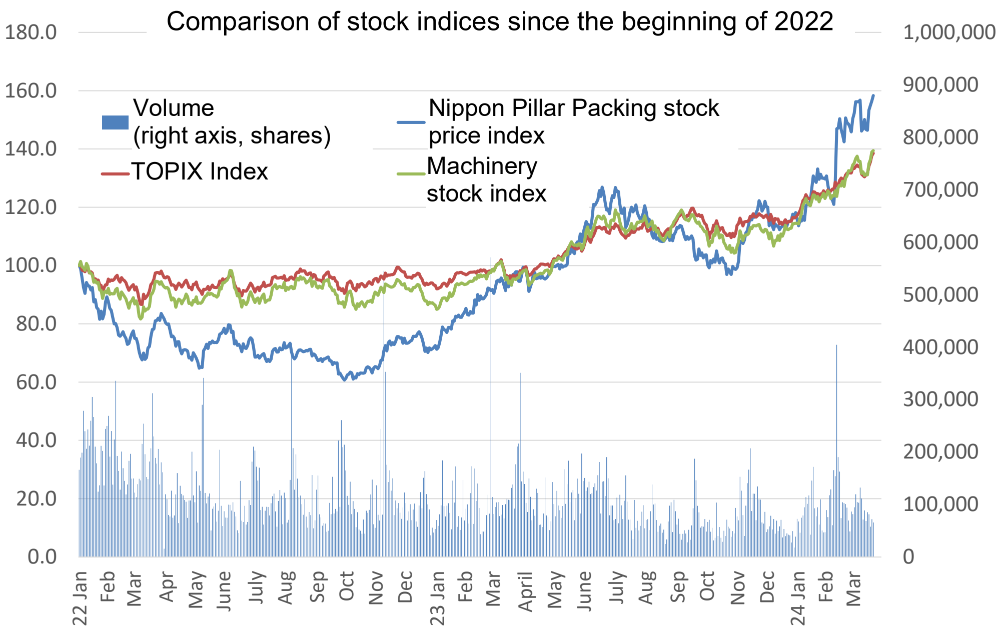
Figure 1: Outperforming trend continues from 2023



Source: Created by CGRA

CGRA

Company Overview and Product Introduction

A high-profit, high-growth company with "Semiconductors" and "Decarbonation" as keywords

Niche stock related to semiconductor manufacturing equipment with a high market share and high profitability

Providing high-quality key components that help customers solve problems supports the high-growth and high-profit business model

The Company has two business segments: electronic equipment business (76% of sales, 85% of operating profit, and operating profit margin of 31.9%, according to the report for fiscal year ended March 2023) and industrial equipment business (24%, 15%, and 17.4%, respectively).

The electronic equipment business boasts a lineup of several thousand products, including fittings, tubes, and bellows pumps made of *fluororesin*, which is used in cleaning equipment for semiconductor and LCD manufacturing processes and in chemical supply equipment at semiconductor plants. In particular, fittings have become the global de facto standard due to their high cleanliness, sealing performance, and extensive track record.

The industrial equipment business deals with mechanical seals, gland packings, and gaskets for pumps and valves installed in power plants, petroleum refineries, petrochemical plants, and other facilities. These products are critical components that prevent leakage of liquids and gases and improve plant safety and performance, and they are also in high demand for repair parts, ensuring high profitability. The product lineup of the business includes rotary joints for chemical mechanical polishing (CMP) equipment, a type of semiconductor manufacturing equipment.

Over the past five years, the Company has experienced rapid growth in business performance, and the business size has changed dramatically

"Semiconductor" and "decarbonization" are the Company's long-term growth themes

Over the past five years (the fiscal year ended March 2019 through company forecast for the fiscal year ending March 2024), sales in the electronic equipment business have doubled (segment profit has tripled), and profit margin of the segment reached a record high of 32.0% in the fiscal year ended March 2022. Behind this lie the global expansion of semiconductor demand and strong semiconductor capital investment, as well as the expansion of product lineups to meet space-saving and cleanliness improvement needs, the acquisition of new customers, and product price revisions.

In the industrial equipment business, sales have increased approximately 1.6 times over the past five years (segment profit has 1.8 times over the same period), and the operating profit margin improved to 17.4% in the fiscal year ended March 2023. This growth is driven by high growth in rotary joints for CMP, the restart of nuclear power plants in Japan, increased demand for repair parts both in Japan and overseas, the addition of Tanken Seal Seiko as a group company, and the creation of new demand for decarbonization.

The Company promotes highly effective ESG management

In April 2021, the Company established an ESG/SDGs Promotion Committee chaired by President Iwanami, and in 2022, identified materiality and expressed its support for TCFD. In its "One2025" medium-term management plan, the Company has set nine sustainability (non-financial) KPIs, and aims to realize its medium-term management plan and its aspirations by resolving materiality issues. The Company received a "B" score in CDP Climate Change 2023, up one rank from the previous fiscal year, and achieved one of the above KPI targets.

Figure 2: Characteristics of each segment and major products and customer industries

Results for the FY ended March 2023	Electronic equipment business	Industrial equipment business
Sales: 100 million yen	368	118
Profit of the segment: 100 million yen	118	21
Profit margin of the segment: %	31.9	17.4
Average sales growth rate over the past 5 years: %	16.2	11.1
Average profit growth rate over the past 5 years: %	39.1	25.9
Major products	Fittings, bellows pumps, tubes, UNI-TON bearing systems, etc.	Mechanical seals, gaskets, gland packing
Customer industries	Semiconductor and liquid crystal manufacturers, semiconductor and liquid crystal manufacturing equipment	Petrochemicals, steel, LNG plants, power generation facilities, etc.

Source: Created by CGRA

Three Noteworthy Points at Nippon Pillar Packing

Point 1: The year-on-year growth rate in the semiconductor market is a leading indicator of the Company's stock price

Positive momentum in the semiconductor market likely to continue into the first half of 2025

CGRA focuses on the year-on-year growth rate of the global semiconductor market announced by WSTS as a leading indicator of semiconductor capital investment and semiconductor-related stocks. In the past, the Company's stock price has hit highs in early 2018 and early 2022, when the semiconductor market's year-on-year growth rate began to peak out. The Company's stock price tended to bottom out at the timing when the negative year-on-year growth rate of the semiconductor market began to shrink, and then moved to the upside.

In the past two cycles, the year-on-year growth rate of the semiconductor market has shown that the growth momentum peaked out about 20 months after it turned positive. In the current cycle, the year-on-year growth rate of the semiconductor market has already turned positive, and as of March, it appears that seven months have passed. Semiconductor-related companies whose fiscal year ends at the end of December, such as EBARA and Resonac, have already disclosed their earnings forecasts for the current fiscal year ending December 31, 2024, and both companies expect semiconductor demand to recover in the second half of this year and beyond. Based on past trends and other factors, CGRA believes that momentum in the semiconductor market will continue to recover until around the first half of 2025.

Point 2: Forecasts for the fiscal year ending March 2024 revised upward (upward revision for the 5th consecutive term)

Industrial equipment business to achieve 24/3 operating profit target 2 years ahead of schedule

On May 12, 2023, the Company announced its earnings forecast for the fiscal year ending March 2024, together with its three-year medium-term management plan, "One2025," which ends in the fiscal year ending March 2026. At the beginning of the term, the Company projected sales of 57.0 billion yen (up 17.0% y-o-y), operating profit of 12.5 billion yen (down 9.7% y-o-y, operating profit margin of 21.9%), and net income per share of 361.08 yen. The Company, on the other hand, presented its medium-term management plan, which calls for sales of 66 billion yen, operating profit of 17 billion yen (operating profit margin of 25.7%), ROE of 10% or more, dividend payout ratio of 30% or more, and cumulative capital investment of 25 billion yen over the three-year period. By segment, the electronic equipment business plans sales of 48 billion yen and operating profit of 14.5 billion yen, while the industrial equipment business plans sales of 18 billion yen and operating profit of 2.5 billion yen.

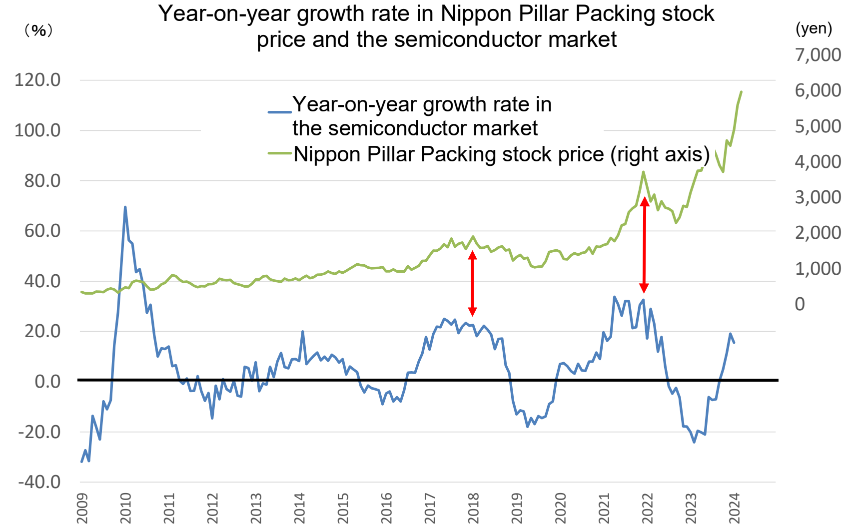
In the fiscal year ending March 2024, particularly the electronic equipment business, among other businesses, is in an adjustment phase for orders. However, on February 13, 2024, when announcing the third quarter results, the Company maintained its sales forecast of 57 billion yen, but revised its operating profit forecast upward to 13.6 billion yen (down 1.7% y-o-y; operating profit margin of 23.9%) and net income per share to 429.10 yen. The revision was due to an order backlog of 21.3 billion yen at the beginning of the term (about 4.5 months of monthly sales), the effect of product price hikes, the acquisition of profitable repair parts projects in the industrial equipment business, and the improved performance of Tanken Seal Seiko, which became a group company.

Point 3: The Company's stock price reaches a new high since listing

The Company's stock price reached a new high since listing

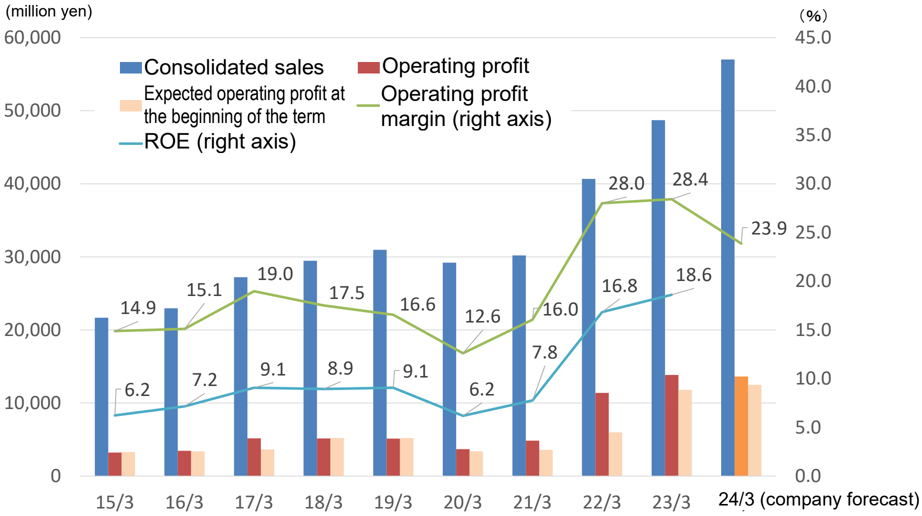
The Company has set a target of a promised dividend payout ratio of 30% or more in its "One2025" medium-term management plan. In its previous medium-term management plan, "BTvision22," the Company had set the same dividend payout ratio target, and had secured a three-year average total return ratio of 42.5%, including stock repurchases. While focusing on capital gains from profit growth, the Company provides balanced shareholder returns with the aim of improving income gains through dividend increases and stock repurchases, taking into account stock price performance and earnings progress relative to plans. In fact, in 2022, the stock price performance deteriorated on concerns about slowing semiconductor demand, but on November 10, 2022, the Company announced a stock repurchase of up to 1 billion yen (up to 500,000 shares, or 2.22% of total shares outstanding). At the time of the announcement of the third quarter results for the fiscal year ending March 2024, the Company revised its earnings forecast upward and raised its annual dividend per share from the initial forecast of 120 yen (payout ratio of 33.2%) to 149 yen (payout ratio of 34.7%), including a commemorative dividend of 10 yen per share to celebrate its 100th anniversary. Since then, the Company's stock price has been on an upward trend and reached a new high since its listing.

Figure 3: The company's stock price tends to reach a ceiling during momentum peaks in semiconductor market



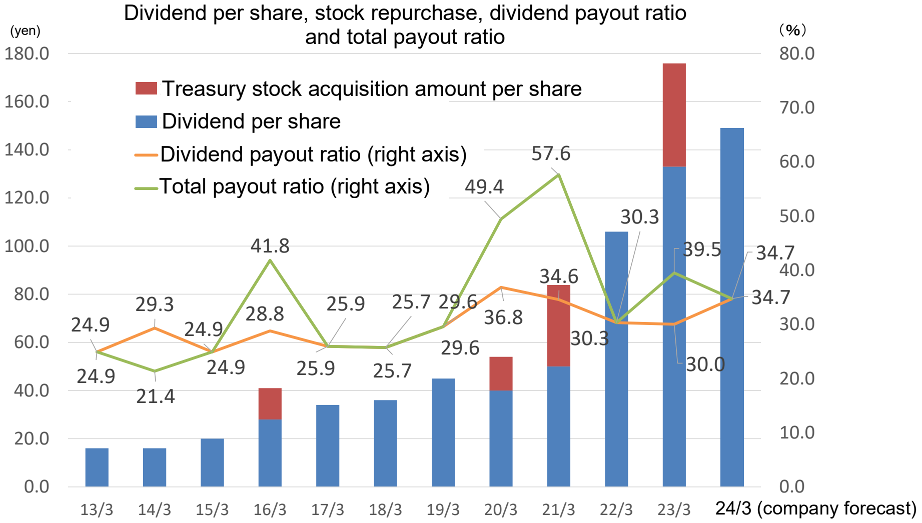
The Company's stock price tends to rise until momentum in the semiconductor market peaks out

Figure 4: The Company revised its earnings forecast upward for the 5th consecutive term



The Company revised up the earnings results in the fiscal year ending March 2024 at the time of the 3Q results announcement, despite the order environment entering an adjustment phase.

Figure 5: The Company is expected to continue strengthening shareholder returns



The Company is expected to continue strengthening shareholder returns, including stock repurchases

Source: Created by CGRA based on company materials

Changes from Previous Report

Semiconductor CAPEX expected to enter recovery phase in 2024

The Company's stock price strengthens its upward trend on the back of the semiconductor market bottoming out and growth expectations

The share prices of semiconductor-related stocks are rising on the back of expectations for a recovery in the semiconductor market and a sharp rise in demand for generative AI

In the previous follow-up report issued on January 10, 2023, CGRA reported, through an interview with President Iwanami, on the background to the Company's high profitability, his thoughts on the next medium-term management plan, risks and opportunities, and his messages to shareholders and investors, as well as the augmentation of ESG management, the bottoming out of the global semiconductor market and investment opportunities for the Company's stock, shareholder returns and stock valuation.

The year-on-year growth rate of the global semiconductor market, which CGRA focuses on, continued to narrow its negative trend and turned positive in September 2023. Investors are expanding their scouting focus to semiconductor-related stocks as a whole, on the back of rapid growth in U.S. NVIDIA's earnings and rising stock price against the backdrop of the expansion of the generative AI market after the end of 2023. The Company's stock price has been highly evaluated as one of the high-growth, high-earnings semiconductor-related stocks, and has reached a new high since its listing, driven by upward revisions to its own earnings forecasts and enhanced shareholder returns.

A series of positive demand outlook announcements

Demand for semiconductor manufacturing equipment published by SEAJ, which has a high correlation with the Company's performance, is expected to enter a full-fledged recovery phase

WSTS published its Semiconductor Market Forecast Fall 2023 on November 28, 2023, reporting that the semiconductor market for calendar year 2023 is expected to decline to $520.1 billion, down 9% from the previous year, but is expected to increase to $588.3 billion, up 13% from the previous year, in 2024. In addition to growth in demand for generative AI and power discretes, the semiconductor market is expected to benefit from increased demand for electronic devices in general, backed by the economic recovery that began in the second half of the year. WSTS spring demand forecast will also be published around June.

The Semiconductor Equipment Association of Japan (SEAJ) published on January 18, 2024, a "Market Forecast Report - Semiconductor and FPD Manufacturing Equipment," predicting that demand for semiconductor and FPD manufacturing equipment in FY2023 would remain at 3,177 billion yen, down 19% from the previous year, which is lower than the previous forecast, but that it would enter an expansion phase in FY2024, increasing 27% to 4,034.8 billion yen and in FY2025, increasing 10% to 4,438.3 billion yen. Sales of the Company's electronic equipment business have an extremely high correlation (+0.9) with demand for semiconductor manufacturing equipment and the Company expects to see renewed earnings growth in the future.

Figure 6: Changes from previous report

		'revious Report(January 10, 2023	This time
Stock price : yen		2,766	6,080
Expected dividend per share : yen		108.0	149.0
Dividend yield : %		3.9	2.5
Expected PER : times		7.9	14.2
PBR : times		1.2	2.4
TOPIX		1,876	2,714
Expected sales : 100 million yen		440(23/3)	570(24/3)
Expected operating profit : 100 million yen		118(23/3)	136(24/3)
Semiconductor shipments (CY、100M USD、%)	2022	5,801(+4%YoY)	5,740(+3%YoY)
	2023E	5,565(-4%YoY)	5,201(-9%YoY)
	2024E	-	5,883(+13%YoY)
Demand forecast for Semiconductor manufacturing equipment (FY、100 million yen、%)	2022	36,840(+7%YoY)	39,222(+14%YoY)
	2023E	34,998(-5%YoY)	31,770(-19%YoY)
	2024E	41,997(+20%YoY)	40,348(+27%YoY)
	2025E	-	44,383(+10%YoY)
U.S.policy rate : %		4.5	5.5
U.S. dollar : yen		131.5	151.6

Source: Created by CGRA from various materials. Figures for the semiconductor market are based on WSTS, and those for demand for semiconductor manufacturing equipment are based on SEAJ

Interview with President Wada of Tanken Seal Seiko

Tanken Seal Seiko aims to maximize synergies and expand sales of differentiated carbon products

Q: Tell us about your operating assets, business performance, and strengths and weaknesses.

Tanken Seal Seiko (hereinafter “Tanken”) is a well-established mechanical seal manufacturer that has been in business for 68 years. It was one of the competitors with which Nippon Pillar Packing was competing for share in the domestic market. Tanken is strong in the petroleum refining and petrochemical industries, with approximately 60% of its sales coming from the after-sales business, including spare parts and maintenance. Over the past three years, Tanken has achieved average sales of 4.6 billion yen, an average operating profit margin of 11%, and double-digit ROE. We are the only seal manufacturer in the world that manufactures carbon used in sliding materials for mechanical seals in-house, and we are good at solving our customers’ issues through material development. After becoming a group company, we will provide further solutions by integrating and evolving our human resources and intellectual capital with those of Nippon Pillar Packing.

Carbon has unique properties, including low thermal expansion, high thermal conductivity, thermal shock resistance, high heat resistance, being self-lubricating, light weight, and excellent chemical resistance

Q: What kind of synergies do you expect as a result of becoming a group company?

Three companies had shared the domestic market for industrial mechanical seals, but with Tanken’s addition to the Nippon Pillar Packing Group, the group is now as large as the top share company. One specific synergy is the mutual procurement of raw materials. Sliding materials for mechanical seals are used in different ways depending on the application, with combinations of hard materials such as SiC and carbon accounting for 70% of the market, and combinations of hard materials accounting for 30%. Tanken manufactures carbon materials in-house, while Nippon Pillar Packing manufactures SiC in-house, so synergy effects can be expected through mutual supply in production and procurement. In addition, since Nippon Pillar Packing is strong in pump applications and Tanken is strong in mechanical seals for agitator applications, the two companies do not have many overlapping customers. This and the fact that Tanken can now utilize Nippon Pillar Packing’s global network are expected sales synergies.

From a management perspective, the Nippon Pillar Packing Group is highly dependent on the semiconductor-related business for earnings, but we expect that the addition of Tanken to the group will stabilize its business portfolio and performance. President Iwanami has high expectations for us, and he visits Tanken every month to tour the site, interact with employees, and maximize synergies through post merger integration (PMI). Our inclusion in Nippon Pillar Packing, with which we had previously competed for market share as a competitor, has also motivated Tanken employees.

Q: What is driving your company’s medium- to long-term performance?

Tanken is relatively strong in the highly profitable domestic aftermarket and maintenance business, and its acquisition has created a co-creation with Nippon Pillar Packing, which is also expected to increase market share. In addition to mechanical seals, we expect to expand our business by cross-selling Nippon Pillar Packing’s gaskets, gland packings, and other related products. Sales employees are already interacting with each other, and integration of sales offices is underway in Hiroshima.

Tanken is also focusing on sales of carbon material products utilizing its proprietary carbon technology. Porous carbon products with air-permeable properties are beginning to be widely used as roll materials incorporated into manufacturing equipment for various film products. They have been adopted by major companies for their superiority in terms of being “wrinkle-free” in a film, static-free, heat resistant, and chemical resistant. These carbon products account for only about 10% of our sales, but we expect their applications to expand in the future.

Floating transfer rolls for web handling utilizing hydrostatic gas-bearing technology can prevent problems associated with friction drive because of the ability to transport the web in a floating manner

Air-bearing roll
Roll diameter: φ100mm
Face length: 400mm
(reference photo)

Q: Tell us about any challenges you face and measures, if any, you are taking.

Among Tanken’s challenges are the high average age of its employees and the fact that its facilities, including some systems, are aging because it has curbed capital investment in recent years. Having become a group company of Nippon Pillar Packing, we have already begun to expand plant facilities including systems and to replace machinery and equipment.

Note: The interview was conducted at Tanken’s headquarters on February 28, 2024.

Interview with General Manager Teshima of the Engineering Headquarters

We are developing products with a focus on profitability in line with the “One2025” medium-term management plan

Q: Tell us your R&D policy and the intellectual capital you have.

We place great importance on developing technologically differentiated products with precision and speed. We clarify profitability targets early in the development process, along with which products we will launch to which markets, and we develop an organized portfolio of development projects for evolving existing markets and new growth markets. We have approximately 200 development engineers, including production engineering, who are promoting efficient development with emphasis on technological superiority and profitability. R&D expenses for the fiscal year ended March 2023 increased 10% year on year to 1.1 billion yen (2.3% of sales). We are proud of our ability to develop and commercialize products without giving up until the last minute in order to meet market needs, and in fact, we boast a commercialization rate of over 80% as a result of our efforts.

We boast a commercialization rate of over 80% with our speedy and efficient development activities

The Mita Innovation Center, completed in October last year, will bring together engineers and accumulate wisdom. The center will strengthen industry-government-academia collaboration by establishing a dedicated laboratory to promote open innovation with universities and startups. In April this year, we will also establish an IT/DX Promotion Department in the Engineering Development Headquarters to accelerate the development of IT and AI. We will also embark on joint development aimed at creating a new market by leveraging the proprietary carbon technology owned by Tanken Seal Seiko, which has joined our group.

Q: Is R&D tied to the “One2025” medium-term management plan and profitability?

We in the Engineering Headquarters also participated in the formulation of the “One2025” medium-term management plan, and have set up quantitative KPIs such as the ratio of new product sales, number of product launches, and number of patents, and are currently engaged in activities linked to the performance targets of the plan. We also promote development that incorporates “contribution to the environment” as a necessary development theme, while developing new products that emphasize high barriers to entry based on differentiated technologies, and improving existing products for higher profitability.

We set KPIs and promote development activities linked to the performance targets of the medium-term management plan

Q: Tell us what technology and intellectual property you expect for 2030.

Going forward, we would like to strengthen and expand both the sales of “*mono* (products)” and the “*koto* (experience/added-value)” business through condition monitoring and IoT devices for failure prediction. As for product development, we intend to strengthen prototype-free front-loading development using AI and computer aided engineering (CAE) to enhance efficient design capabilities in a short period of time, and to improve our ability to differentiate ourselves by developing our own materials.

Q: What business opportunities and risks do you see with the advent of generative AI?

Generative AI enables the development of high-precision technology in a short period of time, and thus has a significant positive effect on design and development. However, since the final decision is made by humans, we are accelerating the training of DX human resources, including DX and data analysis.

Q: How do you see the performance impact (business opportunities and risks) of the PFAS problem?

Since many of our products use fluororesin, we believe that regulations, if they are tightened, will be a threat. As a countermeasure, we have set up a company-wide PFAS response organization to search for alternative materials. We have also submitted 11 public comments in that, for us, the use of fluororesin in the semiconductor manufacturing process is essential. On the business opportunity side, last year we were the first to launch PFAS-free gland packing in the market ahead of our competitors. We have received a lot of positive feedback in the European and U.S. markets, and we look forward to future developments.

Note: The interview was conducted at the Company’s Fukuchiyama Factory No. 2 on March 6, 2024.

Interview with CFO Shukunami

Market cap of 100 billion yen is a passing point and it may reach around 200 billion yen

Q: How are you evaluating the progress of One2025?

Performance is progressing well against the numerical targets in the medium-term management plan. Expectations are high for a recovery in the semiconductor market

The fiscal year ending March 2024 is the first year of the medium-term management plan, and the Company is making steady progress in its performance. The Company announced on February 13, 2024, that the third quarter results were solid, and at the same time, we revised upward our forecast for the fiscal year ending March 2024. The good performance is attributed to the upward swing in the performance of Tanken Seal Seiko, which has become a group company, increased demand for maintenance parts for power plants in Japan and overseas, and the effect of product price revisions in the electronic equipment business. The electronic equipment business is expected to continue to enjoy growing demand. In September 2023, Fukuchiyama Factory No. 2 began operations, and the Company's production capacity will increase up to 1.8 times compared to 2022. The Company has recently faced difficulties in procuring resins, and has taken measures, including securing new suppliers, reducing the defect rate, using materials other than fluororesin, and utilizing recycled resins. I feel that the Company is well positioned to achieve its medium-term management plan. The industrial equipment business faces the challenge of slow overseas expansion that occurred during the pandemic. The Company intends to strengthen the development of its overseas bases, including distributors.

Q: Can you explain the cash allocation in quantitative terms?

Cash on the balance sheet as of the end of December 2023 was 21.3 billion yen (21% of total assets), but is expected to decline to around 10 billion yen in the future due to expenditures for Fukuchiyama Factory No. 2 and Mita Innovation Center. We believe that an appropriate cash position is about 15.0 billion yen, or three months of monthly sales, so we issued our first green bond to raise funds from outside sources. We expect to invest 25.0 billion yen (6.6 billion yen for the acquisition of Tanken, 10.0 billion yen for Fukuchiyama Factory No. 2, 3.5 billion yen for the Mita Innovation Center, and 5.0 billion yen for other) for growth over the three years of the medium-term management plan, but we are also considering bringing forward investment projects depending on trends in semiconductor demand. As for shareholder returns, we will secure a minimum dividend payout ratio of 30%, but we will not stick to the 30% figure and will consider raising the payout ratio if we achieve good financial results.

Q: Tell us about the business impact of Tanken and your M&A policy, if any.

Tanken, which has an irregular 11.5-month fiscal year ending March 2024, expects sales of just under 5.0 billion yen and operating profit of about 800 million yen if it does not incur acquisition costs. One-time costs associated with the acquisition are approximately 200 million yen, but goodwill amortization of 460 million yen per year will continue. We have not factored new M&As into the growth investments set forth in our medium-term management plan, except for Tanken. Our basic M&A policy is to target businesses for deals that are expected to generate synergies, and we intend to continue to gather information.

Q: Give us some comments on the business performance for the fiscal year ending March 2025?

In the fiscal year ending March 2025, we expect a recovery in orders from semiconductor-related businesses in the electronic equipment business, but our concern is the trend of resin prices. In the industrial equipment business, we expect a recovery in orders for rotary joints for CMP, but this is likely to be offset by a decline in large-lot orders for repair parts as a reaction to the strong order growth to date.

Q: What is your view on the target market capitalization?

Market cap may exceed 200 billion yen (share price of 8,000 yen)

With market capitalization exceeding 100 billion yen, the number of IR interviews has increased by 20 to 30%, especially with overseas institutional investors. I hear that the demographics of overseas institutional investors change when market capitalization exceeds $1.0 billion (150 billion yen). The expected PER has risen to about 15x, but some semiconductor-related companies have a PER of 30-40x. Assuming our ROE is 15% and PER is 15x, PBR is estimated to be 2.25x. At a PER of 20x, PBR is 3x. If we apply the BPS of approximately 2,800 yen at the end of December 2023 to this, we can expect a share price in excess of 8,000 yen (i.e., market capitalization of approximately 200 billion yen).

Note: The interview was conducted online on February 28, 2024.

Overview of the One2025 Medium-Term Management Plan

One2025 as the foundation for a leap forward to the next 100 years

A new three-year medium-term management plan begins for the next 100 years

With the mission of "creating a future 'supporting society,'" the Company aims to "realize a sustainable society" and "create economic value" through its proprietary fluid control technologies and state-of-the-art products, technologies, and services based on its slogan "CLEAN, SAFETY, and FRONTIER." On May 12, 2023, the Company announced "One2025," a three-year medium-term management plan ending in the fiscal year ending March 2026. The Company will celebrate its 100th anniversary in May 2024, and has positioned this plan as a period for laying the foundation for a leap forward to the next 100 years.

The Company intends to promote business and organizational change and transformation for further corporate value enhancement, based on the five basic company-wide medium-term management policies: (1) evolvement of core businesses, (2) strengthening of global competitive edge, (3) creation of a new business foundation, (4) development of sustainable management, and (5) financial strategies that support growth.

The Company aims for sales of 66.0 billion yen, operating profit of 17.0 billion yen, and ROE of over 10%

The Company aims to achieve record sales and operating profit and maintain high profitability

The medium-term management plan calls for the numerical targets of sales of 66.0 billion yen, operating profit of 17.0 billion yen (operating profit margin of 25.7%), and ROE of 10% or higher in its final fiscal year ending March 2026 (sales and operating profit will be record highs). The plan also calls for a dividend payout ratio of at least 30% and a three-year cumulative growth investment of 25.0 billion yen. By segment, the electronic equipment business plans sales of 48.0 billion yen and operating profit of 14.5 billion yen (operating profit margin of 30.2%), while the industrial equipment business plans sales of 18.0 billion yen and operating profit of 2.5 billion yen (13.8%).

The medium-term management plan, for the first time, sets key targets for non-financial items

For the first time, the Company discloses non-financial KPIs for higher sustainability

In addition to the above numerical financial targets, the medium-term management plan has also set the following nine priority targets for the development of sustainable management. Environmental contribution products: (1) Reducing greenhouse gas emissions by 25% compared with FY2013 (Scope 1 & 2); (2) Abolishing the use of three of the chemical substances specified by the Pollutant Release and Transfer Register (PRTR) Act; (3) Obtaining and maintaining at least CDP score of B. Active human resources / Organizational growth: (1) Achieving at least 5% for the percentage of female managers; (2) Achieving at least 75% for the percentage of male employees taking childcare leave; (3) Increasing the amount invested in human resource development per person by 20%; (4) Implementing management training related to various types of human resource utilization; (5) Implementing training for mastering the use of practical tools to cultivate human resources for digital transformation (DX); (6) Utilizing digital tools to inherit professional skills and to master advanced skills efficiently.

Figure 7: "One2025" numerical targets

(Unit: Million Yen)

	BTvision22	One2025		
	FY2022 Results	FY2025 Target	Increase (Decrease)	Change rate
Sales	48,702	**66,000**	17,298	35.5%
Operating income	13,842	**17,000**	3,158	22.8%
Operating income ratio	28.4%	**25.7%**	-2.7P	—
ROE	18.6%	**10% or more**	—	—
Payout ratio	30.0%	**30% or more**	—	—
Growth investment	(3-year cumulative total) 3,715	**(3-year cumulative total) 25,000**	21,285	672.9%

By segment

	FY2022 Results	FY2025 Target	Increase (Decrease)	Change rate
Electronic equipment business				
Sales	36,819	**48,000**	11,181	30.3%
Operating income	11,759	**14,500**	2,741	23.3%
Industrial equipment business				
Sales	11,844	**18,000**	6,156	51.9%
Operating income	2,059	**2,500**	441	21.4%

Source: Created by CGRA from company briefing materials, etc.

Progress and Challenges in Fiscal Year Ending March 2024

The Company revises its earnings forecast upward for the fiscal year ending March 2024 at the time of the third quarter results

At the beginning of the fiscal year, the Company had projected sales of 57.0 billion yen, operating profit of 12.5 billion yen (operating profit margin of 21.9%), and net income per share of 361.08 yen for the fiscal year ending March 2024, the first year of the "One2025" medium-term management plan. However, thanks to its efforts to clear order backlogs and raise product prices, the Company revised its earnings forecast upward at the time of the third quarter results announcement, leaving sales unrevised at 57.0 billion yen but raising operating profit by 1.1 billion yen to 13.6 billion yen and net income per share to 429.1 yen.

With the backlog of orders being exhausted, hopes grow for a quick recovery in orders

The Company's quarterly orders bottomed out in the fourth quarter of the fiscal year ended March 2023, but have been on a moderate recovery trend, with the BB ratio (orders/sales) hovering below 1 for the past four consecutive quarters. The order backlog at the end of December 2023 decreased to 18.0 billion yen (equivalent to 3.8 months of monthly sales), and hopes grow for an early recovery in orders toward the fiscal year ending March 2025.

Earnings results in the fiscal year ending March 2024 show steady progress toward the numerical targets of the medium-term management plan, and hopes grow for an early recovery in orders

Figure 8: The progress in clearing a backlog of orders is a concern for business performance in the fiscal year ending March 2025

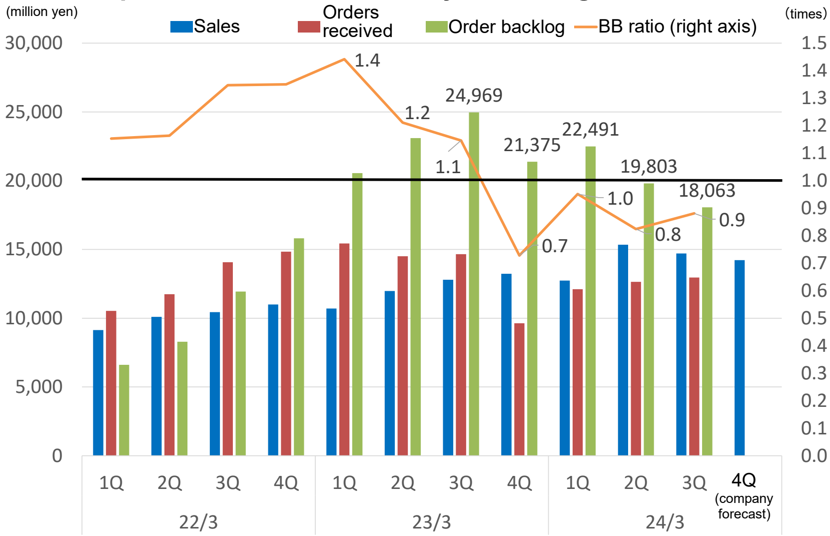
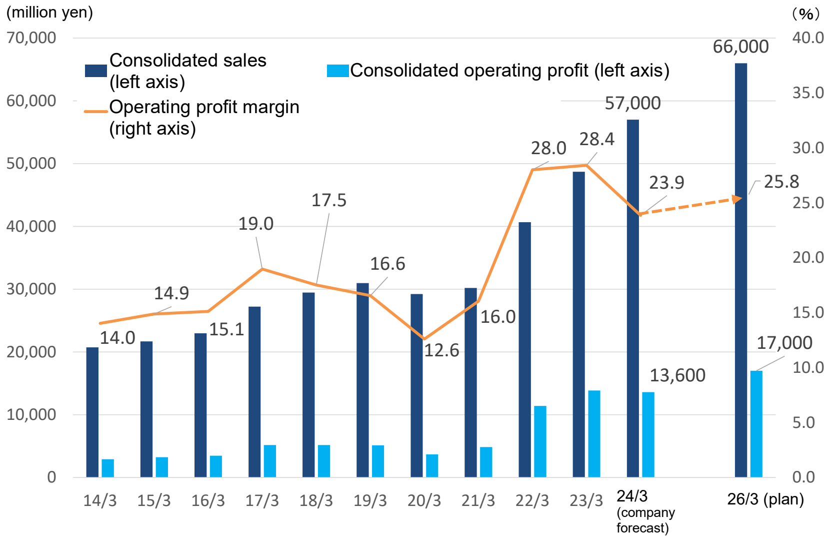


Figure 9: Business performance in the fiscal year ending March 2024 shows steady progress toward the numerical targets of the medium-term management plan



Source: Created by CGRA based on company materials

Overview of the Electronic Equipment Business

Sources of earnings and values created

The electronic equipment business manufactures PILAFLON products such as fittings, bellows pumps, and tubes, which are made by applying or processing fluororesin. The Company's mainstay fittings for semiconductor cleaning equipment have become the global de facto standard and are highly profitable, with a segment profit margin of 31.9% in the fiscal year ended March 2023.

The Company's joints are the de facto standard for semiconductor cleaning equipment and chemical supply processes in semiconductor plants

Chemical solutions used in the semiconductor cleaning process are highly hazardous, such as strong acids and alkalis, and with the progress of semiconductor miniaturization, cleanliness is becoming more important than ever. The electronic equipment business responds to the needs of semiconductor production to ensure safety (prevention of chemical leaks), maximize yield, and downsize production facilities by supplying high-quality products and customizing its product lineup of thousands of products. Accordingly the Company's joints, pumps, and tubes, which are incorporated into semiconductor manufacturing equipment and the chemical supply process of semiconductor plants, have achieved high reliability and profitability. In addition, the Company's differentiated and proprietary high technology and materials and production technology capabilities in injection molding and molding are also a source of strength.

Business performance: operating profit forecast for the fiscal year ending March 2024 revised upward

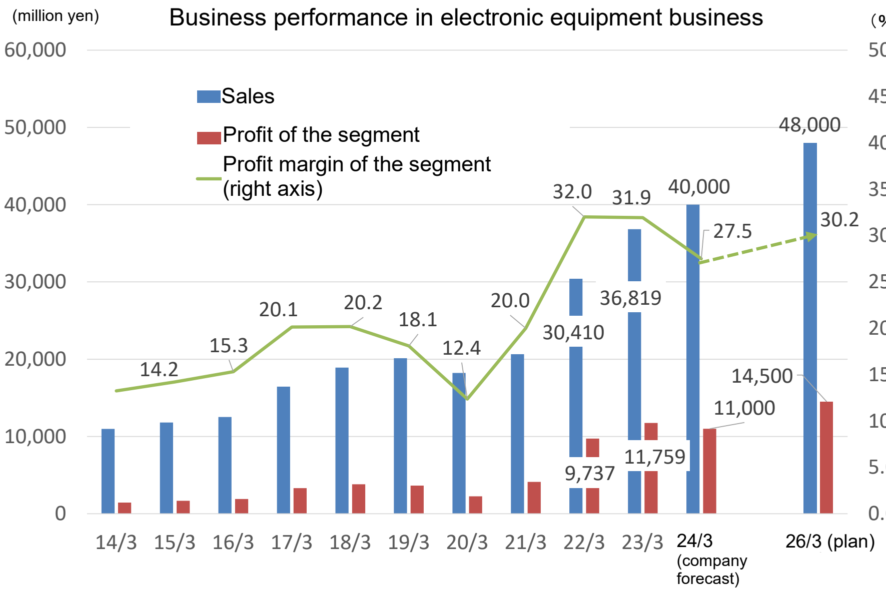
At the beginning of the fiscal year, the electronic equipment business was forecasted to achieve sales of 41.0 billion yen and operating profit of 11.0 billion yen (operating profit margin of 26.8%) for the fiscal year ending March 2024. The Company subsequently left its sales forecast unchanged at 41.0 billion yen as of the second quarter results, but revised its operating profit forecast downward to 10.5 billion yen. At the time of the third quarter results, however, the Company revised its sales forecast downward to 40.0 billion yen (up 11.4% y-o-y) and revised its operating profit forecast upward to 11.0 billion yen (down 6.5% y-o-y, operating profit margin 26.8%). Behind this lies, among other factors, the progress in product price hikes.

Order performance: a phase of lowered hurdles for year-on-year comparisons to arrive

Quarterly orders in this business segment declined 39.7% year on year to 6.9 billion yen in the fourth quarter of the fiscal year ended March 2023. Thereafter in the fiscal year ending March 2024, quarterly orders declined 33.2% year on year to 8.1 billion yen in the first quarter, 27.6% year on year to 8.2 billion yen in the second quarter, and 27.9% year on year to 8.2 billion yen in the third quarter. This means that the previous year's hurdle will be lower, and CGRA believes that the year-on-year growth rate could turn positive from the fourth quarter of the fiscal year ending March 2024.

It is about time that orders will enter a phase where they will turn positive year on year

Figure 10: Hopes grow for an early recovery in orders



Source: Created by CGRA based on company materials

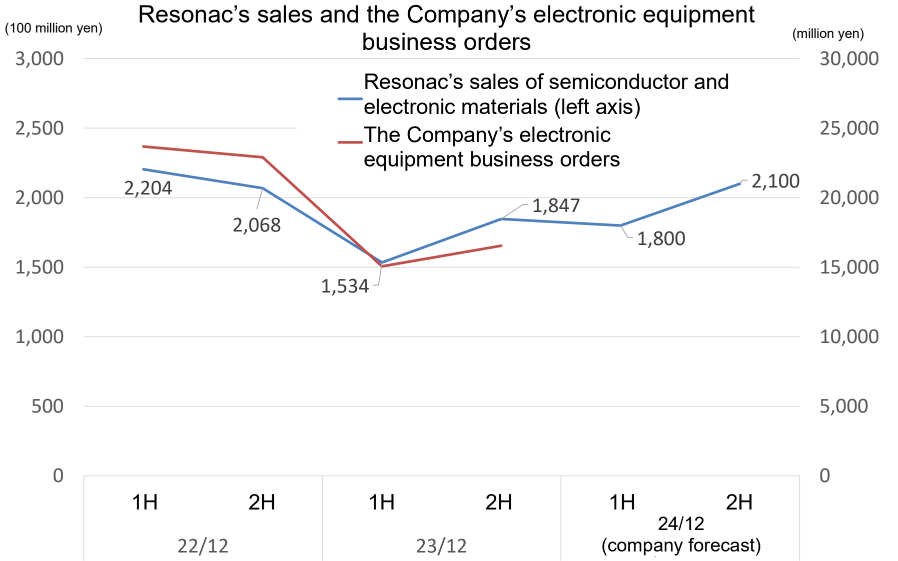
External Environment Surrounding the Electronic Equipment Business

Both Resonac and EBARA signal demand recovery in the semiconductor-related business

The Company closes its books in March and is expected to announce its earnings forecast for the fiscal year ending March 2025 when it releases its full financial results in May 2024. On the other hand, Resonac and EBARA, both semiconductor-related companies, close their books in December and have already announced their earnings forecasts for the fiscal year ending March 2024. The following graph shows the trends of orders received in the Company's electronic equipment business on a semi-annual basis, matching the fiscal years of Resonac and EBARA. Both Resonac and EBARA expect the order and sales environment to remain generally flat in the first half of the current fiscal year (January-June 2024), but both companies expect to enter a recovery phase in the second half of the current fiscal year (July-December 2024). In particular, EBARA expects to continue steady capital investment in logic and resume capital investment in memory, partly because its component business is centered on vacuum pumps used in the semiconductor manufacturing process. Orders in the Company's electronic equipment business are also likely to enter a phase of full-fledged demand recovery.

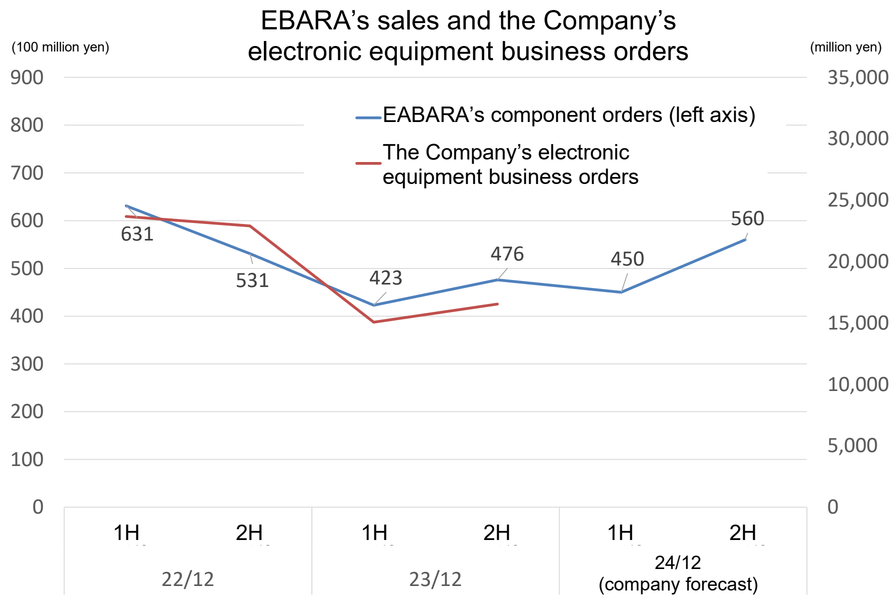
As indicated by the earnings forecasts of Resonac and EBARA, orders in the Company's electronic equipment business will also enter a recovery phase

Figure 11: Resonac expects semiconductor and electronic materials sales to recover



Resonac expects semiconductor-related demand to enter a recovery phase, albeit slowly

Figure 12: EBARA's component order trends signal the beginning of a gradual recovery phase



EBARA expects memory investment to resume in 2H of the current fiscal year (July-December 2024) and beyond

Source: Created by CGRA from the companies' financial results materials. The closing period of the Company's order book is adjusted for unification

Interview with Executive Officer Fujiwara of the Electronic Equipment Business

In the next phase of demand recovery, we would like to reap the benefits of the measures taken

Q: How are you evaluating the progress of One2025?

For the fiscal year ending March 2024, we are targeting an 8.6% year-on-year increase in orders to 40.0 billion yen by proceeding to clear backlogs of orders, despite the continuing downward trend in orders received. Operating profit, on the other hand, is expected to decline 6.5% year on year to 11.0 billion yen, despite efforts to raise product prices and improve productivity, due to the significant negative impact of raw material price hikes. We believe that our performance figures show steady progress in line with the numerical targets of the medium-term management plan. We are dealing with the shortage of resin by gaining the understanding of our customers and having to work hard to convince them, and by proceeding with technical and production engineering verification through quality checks and changes in molds to utilize alternative and recycled materials.

Both performance and measures are showing steady progress, and the next phase of demand recovery will be the real test

Q: Tell us about the results and challenges of the three measures to achieve the medium-term management plan.

In the medium-term business plan, we have three business strategies: (1) create new businesses, (2) strengthen existing markets and products, and (3) strengthen our foundation to further improve our competitiveness. As for the creation of new businesses, the development of markets other than semiconductors is key, and during the past year we have focused our activities on researching market needs. In developing new materials, after facing a shortage of fluororesin, we have achieved results by utilizing recycled fluororesin and alternative materials in different resins. In addition, we are on track to launch the next-generation product on the market following the sweep elbow. In the medium-term management plan, we have set "total abolition of the use of three chemical substances designated under the PRTR Act" as a non-financial KPI, and we will gradually replace solvent cleaning with environmentally friendly pure water cleaning.

As for the strengthening of existing markets and products, Pillar Technology Co., which was established in Chuzhou, China, for the purpose of local production for local consumption, has been expanding its production items, including the production of new tubes, and has also begun contract molding to deliver module products with fittings to customers. A Beijing branch has also been opened and new customers are being developed. In Europe and the United States, our products have been adopted by major semiconductor equipment manufacturers for their new products, so we are steadily improving our track record.

Finally, as for strengthening our foundation to further improve our competitiveness, with the construction of Fukuchiyama Factory No. 2, our production capacity, including that of the Kumamoto Factory, will increase up to 1.8 times over 2022, and productivity will also increase 1.3 times. This will happen through measures such as expanding multiple-material injection molding, having automated gate cutting of molded products, and introducing automated transfer warehouses, such as automating transfer loading from the washing process.

Fukuchiyama Factory No. 2 increases production capacity and productivity by 1.3 times

Figure 13: Strategies and measures for the electronic equipment business

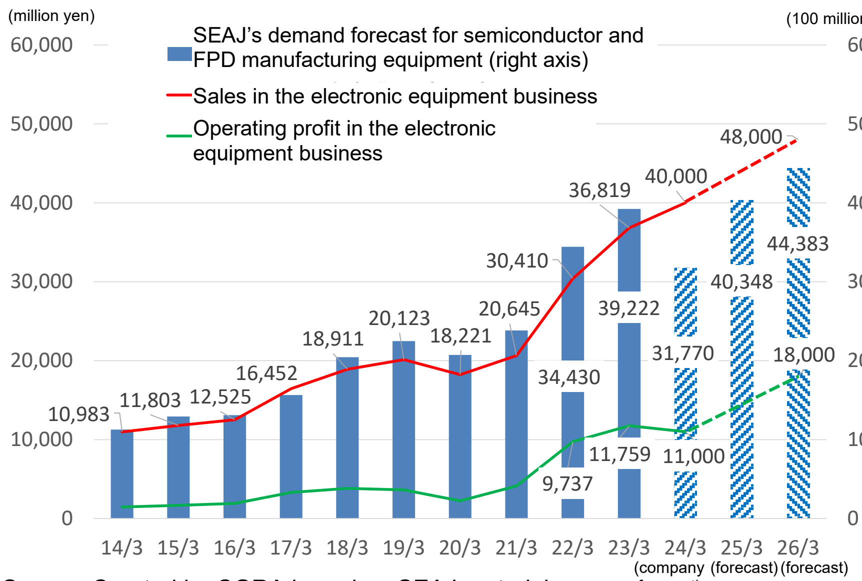
Source: The medium-term management plan "One2025" materials

Q: What are your expectations and risks for the fiscal year ending March 2025?

WSTS and SEAJ have revised their demand forecasts upward, and expectations are rising within the Company. In particular, the Semiconductor Equipment Association of Japan (SEAJ), in its demand forecast on January 18, 2024, predicts that demand for semiconductor production equipment will increase 27% in FY2024 (the fiscal year ending March 2025) and 10% in FY2025 year on year. While a lack of supply capacity of resin manufacturers is a concern as a risk, we have been effective in utilizing alternative materials and recycled resins, as well as developing new material suppliers, and we are fully capable of responding to this issue. We anticipate that the risk of fluororesin procurement will decrease in the future as existing resin suppliers increase their production capacity and new suppliers move forward with material certification.

The electronic equipment business addresses the resin material shortage, gaining confidence in the stable supply of its products

Figure 14: Growing demand for semiconductor manufacturing equipment to drive the Company's performance



Source: Created by CGRA based on SEAJ materials

Q: How do you see performance drivers for 2030?

As medium- to long-term performance drivers, we expect an increase in demand for PCs and smartphones due to the spread of 5G and next-generation 6G in telecommunications, the spread of electric vehicles (EVs), and an increase in demand for data centers due to the emergence of various applications such as the IoT and AI, and the expansion of data communication volume. As a result, the global semiconductor market is expected to grow to $1 trillion in 2030, approximately double the 2023 actual market. In addition, the market for semiconductor manufacturing equipment is expected to expand in line with the progress of miniaturization and stacking in logic, DRAM, NAND, and other semiconductors. We aim to grow faster than the market by attracting new customers and developing new applications and fields.

The electronic equipment business aims for above-market growth and high profitability by 2030

Q: Will you be able to maintain high profitability in the future?

Our target operating profit margin is 30.2%, as stated in our medium-term management plan "One2025." Japan's largest semiconductor equipment manufacturer has a target operating profit margin of 35% or higher for FY2027, and the largest U.S. semiconductor equipment manufacturer posted an operating profit margin of about 36% in its most recent quarterly results in the semiconductor equipment business. Our electronic equipment business depends in part on the profitability of our customers, but it secures profitability and reliability backed by high quality, and with productivity improvements expected through automation of production, transfer, and cleaning at our state-of-the-art Fukuchiyama Factory No. 2, we intend to further improve profitability in the future.

Note: The interview was conducted at the Company's Fukuchiyama Factory No. 2 on March 6, 2024.

Overview of the Industrial Equipment Business

Sources of earnings and values created

The industrial equipment business deals with equipment to control leakage of liquids, gases, powders, etc., such as mechanical seals, gland packing, and gaskets. They are installed in pumps, valves, agitators, compressors, turbines, etc. that are included in a variety of equipment and plants, such as petroleum refining, petrochemical, nuclear, and other power generation facilities, energy and environmental, and water supply and sewage facilities, and used under harsh environments such as high pressure, high temperature, and very low temperature. The Company's products help to prevent environmental pollution caused by leaks of corrosive liquids and air pollution caused by spills of flammable and toxic gases, and support safe and optimal operation of various plants, contributing to downsizing and energy saving of various kinds of equipment through its proprietary differentiation technology.

This business segment plays an important role in preventing environmental pollution while ensuring the stable operation of various plants

In this business, on the back of growing semiconductor market, rotary joints for CMP used in the wet process of semiconductors have been one of the drivers of our recent business expansion, including the acquisition of new customers. The Company also sees the energy transition toward "decarbonization" as a medium- to long-term business opportunity, which is expected to generate new demand for sustainable aviation fuel (SAF) related production facilities for aircraft fuel, in addition to various hydrogen and ammonia plants, carriers, and receiving terminals.

Business performance: the business achieved the operating profit target in the medium-term management plan two years ahead of schedule

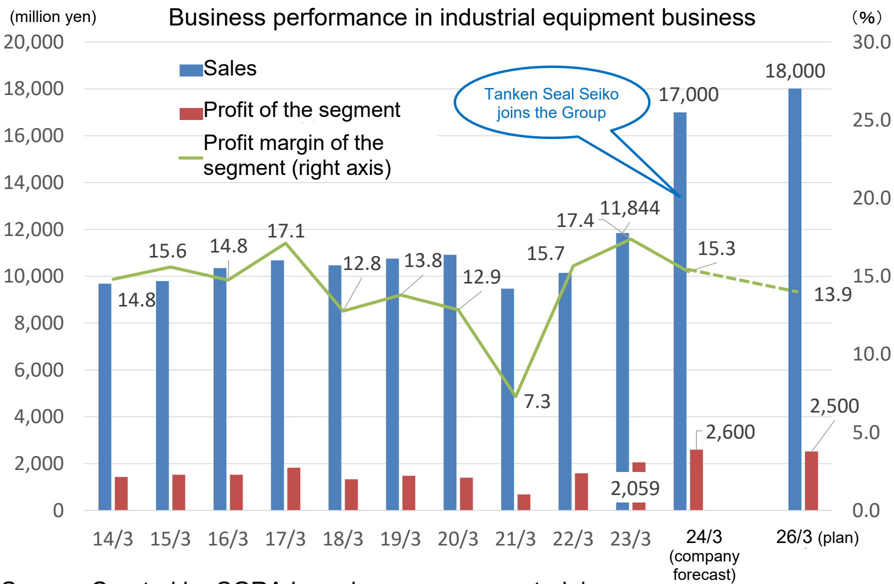
At the beginning of the fiscal year, the industrial equipment business was forecasted to achieve sales of 16.0 billion yen and operating profit of 1.5 billion yen for the fiscal year ending March 2024. At the time of the second quarter results, however, the Company maintained its sales forecast at 16.0 billion yen but increased its operating profit forecast to 2.0 billion yen, and at the time of the third quarter results, it revised its sales forecast to 17.0 billion yen and its operating profit forecast upward to 2.6 billion yen (operating profit margin of 15.3%). The upward revision is mainly due to increased demand for repair parts, which are highly profitable, and to upswings in the performance of Tanken Seal Seiko, which has joined the Company's group, and the operating profit target in the medium-term management plan is likely to be achieved two years ahead of schedule.

Business environment continues to be favorable both in Japan and overseas, and the business is on track to achieve the operating profit target in the medium-term management plan two years ahead of schedule

Order performance: solid order environment continues

Quarterly orders in this business segment increased 21.4% year on year to 4.0 billion yen in the first quarter of the fiscal year ending March 2024, 42.0% year on year to 4.3 billion yen in the second quarter, and 47.1% year on year to 4.6 billion yen in the third quarter, partly thanks to the addition of Tanken Seal Seiko as a group company. The BB ratio has also remained stable over the same period, from 1.1x to 0.9x, and to 1.1x.

Figure 15: Strong performance of Tanken Seal Seiko drives the segment's earnings results



Source: Created by CGRA based on company materials

External Environment Surrounding the Industrial Equipment Business

Sales to existing customers, excluding semiconductor and liquid crystal manufacturers, are gradually recovering

Sales (on a non-consolidated basis) to existing customers other than semiconductor and liquid crystal manufacturers show a steady recovery due to increased demand for repair parts for power plants and petroleum refineries and petrochemicals in Japan and overseas, as well as the highly regarded EDP series packing, which has high-airtightness and complies with U.S. environmental regulations.

Significant room for growth in the medium to long term with “decarbonization” as the keyword

In the medium to long term, with “decarbonization” as the keyword, new capital investments are expected in hydrogen and ammonia-related energy transitions, aircraft fuel SAF and synthetic methane, carbon dioxide capture and storage (CCS) to capture CO_2 directly from the atmosphere, restarting of nuclear power plants, development of next-generation reactors, and hydrogen reduction steelmaking. The Company intends to strengthen product development accompanied by a sense of speed and to further create new products and markets. CGRA believes that there is significant room for growth in the medium to long term for the Company, based on the medium-term sales of Yokogawa Electric Corporation, which manufactures control systems for various plants, as a leading indicator.

Figure 16: Sales to existing customers other than semiconductor and liquid crystal manufacturers show an increasing recovery trend

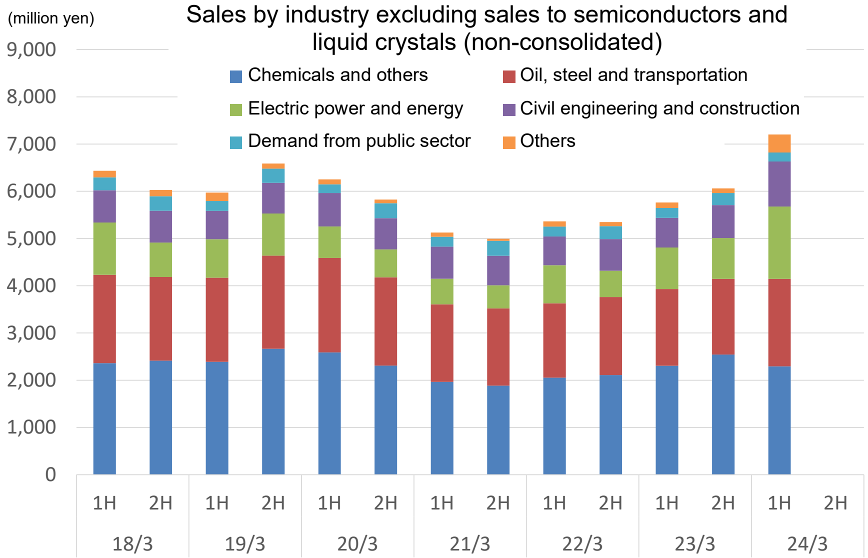
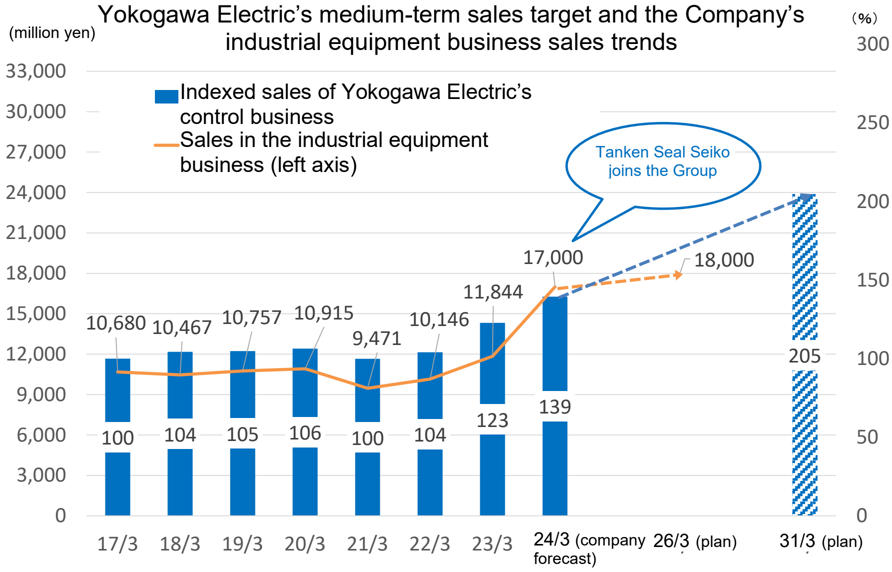


Figure 17: Significant room for future growth based on Yokogawa Electric’s medium-term figures as a leading indicator



Source: Created by CGRA from financial results briefing materials

Interview with Executive Officer Serita of the Industrial Equipment Business:

In the next phase of demand recovery, we would like to reap the benefits of the measures taken

Q: How are you evaluating the progress of One2025?

The industrial equipment business intends to improve the stability of its performance and profitability through steady earnings progress and synergies with Tanken

Both sales and operating profit for the fiscal year ending March 2024 exceed the initial forecasts, and as of the third quarter results, we revised the sales forecast upward to 17.0 billion yen, up 43.5% year on year, and operating profit forecast to 2.6 billion yen, up 26.3% year on year (operating profit margin of 15.3%). The current fiscal year is characterized by strong orders from overseas customers, backed by a sense that products are undervalued due to the ongoing depreciation of the yen. In Japan, projects related to the restart of nuclear power plants are also robust. In addition, demand for repair parts shows a stronger recovery trend in the domestic and overseas petrochemical industry, which had been holding back on capital investment. Investments are also beginning to move toward decarbonization.

Tanken's contribution to our business performance had already been factored into the Company's medium-term management plan, but the business environment continues to be more favorable than expected. Tanken has a high sales composition of highly profitable repair parts, and since becoming a group company, the sales composition of repair parts in the industrial equipment business has risen to around 60%, contributing to stable business performance and improved profitability. We expect to achieve the operating profit target of 2.5 billion yen for the fiscal year ending March 2024 set in the medium-term business plan two years ahead of schedule.

Q: Tell us about the results and challenges of the three measures to achieve the medium-term management plan.

To achieve the medium-term business plan, we have the same three business strategies for the electronic equipment business as the electronic equipment business, that is, (1) create new businesses, (2) strengthen existing markets and products, and (3) strengthen our foundation to further improve our competitiveness. As for the creation of new businesses, the Mita Innovation Center was completed in September 2023, laying the groundwork for the improvement of sealing technology and the creation of new products in preparation for the arrival of a decarbonized society. We will raise the level of development through integrating in-house knowledge and collaborating with other companies. The addition of Tanken, a former competitor, to the Company's group is also a very encouraging development. We intend to strengthen our efforts to quickly realize synergies, create differentiated products, and expand sales overseas. We are also developing full-scale maintenance and servicing contracts, especially in overseas markets, to help our customers' plants improve their scheduled repair intervals and achieve optimal operations. For our customers, this will have the advantage of cost visibility, and for us, it will have the advantage of stable performance and customer retention.

Figure 18: Strategies and measures for the industrial equipment business

Source: The medium-term management plan "One2025" materials

As for the strengthening of existing markets and products, our strength lies in gland packing products specialized in environmental performance and compliant with the American Petroleum Institute (API) standards and European ISO, and we also supply products that can accommodate PPM orders. We have an estimated 40% share of the global market for gland packing in the high-performance area, and we have a substantial 60% share if the materials we supply to other companies are included. The Pillar brand is already well recognized, and we aim to create a new market by launching products using new environmentally friendly materials such as PFAS-free. In addition to rotary joints for CMP, mechanical seals for semiconductors are increasingly being used in the chemical handling process as applications expand and cleanliness improves. These are currently only a few hundred million yen in annual sales, but there is significant room for growth.

The industrial equipment business aims to expand its repair and maintenance business while introducing new products and developing new markets

As for further improving competitiveness, the Mita Innovation Center is also showing positive effects, and various cycle time and cost reductions are steadily progressing through the automation of production and the shortening of development lead times. Repair and maintenance work is a field in which Tanken excels. As our customers' maintenance skills decline and many manufacturers tend to outsource their work, there is a growing need for one-stop comprehensive support, and we see a business opportunity here.

Q: What are your expectations and risks for the fiscal year ending March 2025?

We believe that new business opportunities (i.e., hydrogen, ammonia, SAF) for "decarbonization" will expand in the fiscal year ending March 2025. To date, business negotiations have focused on pilot plants, but the scale of plants for commercialization is increasing, and we look forward to the expansion of business volume. Nuclear facilities in Japan are likely to continue to be restarted. Risks include changes in the global business environment. The year 2024 is a major global election year, and we intend to pay close attention to changes in the market environment in the course of our business.

Q: How do you see performance drivers for 2030?

Like energy transition, "decarbonization" requires process transformation. For example, ethylene cracker production facilities are being integrated and decommissioned to reduce excess capacity, while at the same time development and implementation is underway to determine what will replace naphtha, the current feedstock, and whether the facilities will be fueled by ammonia or hydrogen. We are required to have product development capabilities, development speed, and an earning mechanism, but it is an extremely large business opportunity, and we would love to aim to be a game changer. We also look forward to the expansion of capital investment in aircraft fuel SAF and various synthetic fuels. As part of our unique strategy, we are also looking into providing resin-made automotive parts for electric vehicles (EVs) that utilize differentiated materials technology and injection molding technology.

Q: To what extent is there room for improvement in the operating profit margin?

Our target operating profit margin is 13.9%, as stated in "One2025," but we forecast an operating profit margin of 15.3% for the fiscal year ending March 2024. The projected sales for the fiscal year ending March 2024 are 17.0 billion yen, but since we already have production capacity of up to 20.0 billion yen, we will further strengthen our healthy profit structure by prioritizing investments in automation and rationalization for the time being. We would like to consider expanding our new production bases at a stage when investments for decarbonization are in full swing and the expansion of workload is accelerating.

With "Decarbonization" and "Semiconductors" as keywords, there is a lot of room for growth going forward, and the industrial equipment business hopes to achieve an operating profit margin of around 20%

With the addition of Tanken to the group, the repair parts and maintenance business, which is highly profitable, has been strengthened, and maintenance and servicing contracts are increasing. This will also stabilize our performance and improve our profitability as well. Both mechanical seals and gland packings are important safety parts in niche markets, and with a high sales composition of repair parts, steady demand growth is expected over the medium to long term. The demand trend for rotary joints for CMP and mechanical seals for semiconductors will continue to show cyclical growth. We believe there is significant room for improvement in the operating profit margin going forward.

Note: The interview was conducted online on February 28, 2024.

Augmentation of ESG Management

New KPIs for sustainability items

Nine new non-financial KPIs are established

The Company embarked on ESG management relatively early, establishing the ESG/SDGs Promotion Committee chaired by President Iwanami in April 2021. In 2022, the Company identified 21 materiality issues, and set nine new priority targets for the development of sustainable management in its "One2025" medium-term management plan (see p.10).

Environmental contribution: the Company secured a CDP score of "B" ahead of schedule

A deepening of ESG management to resolve materiality through the achievement of KPIs

As a KPI for environmental contribution, the Company aims to reduce its own CO_2 emissions (Scope 1 & 2) by 25% from the FY2013 level by FY2025, and to achieve "virtually zero" emissions by FY2050. To reach the target, the Company plans to strengthen the use of renewable energy, work on updating to energy-efficient equipment, and promote the procurement of green power. As for Scope 3, the Company has disclosed the results by category for FY2022, and is expected to proceed with the formulation of reduction activities. As for the CDP score of B or higher, one of the KPIs, the Company achieved a score of B in 2023 (B- in 2022), thus fulfilling one of the environmental targets set in the medium-term management plan. New Fukuchiyama Factory No. 2 is replacing solvent cleaning with pure water cleaning, and by FY2024 (fiscal year ending March 2025), progress will be made toward the KPI target of "abolishing the use of three of the chemical substances specified by the Pollutant Release and Transfer Register (PRTR) Act." Going forward, the Company is expected to strengthen its compliance with the Task Force on Nature-related Financial Disclosures (TNFD), acquire third-party certification, further expand TCFD disclosure, and increase the market supply of environmentally friendly products, with the aim of further upgrading its environmental activities.

Human resources and organizational growth: pursuing sustainable organizational growth

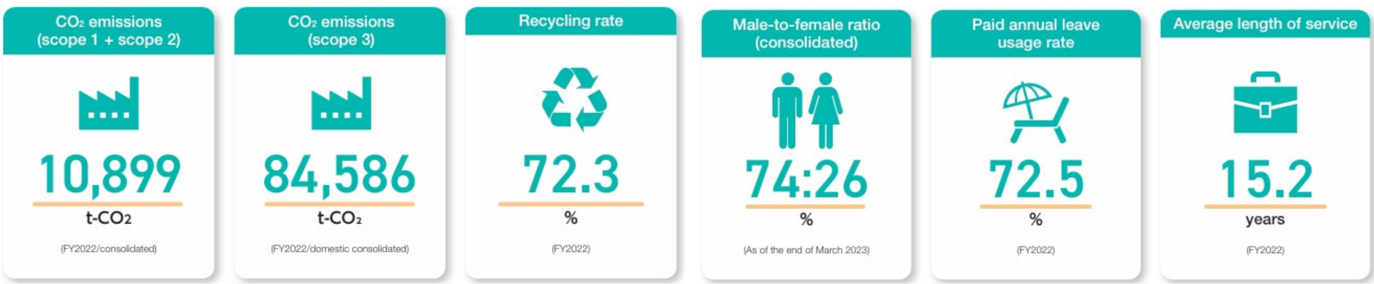
The Company has begun to strategically develop human resources to realize its "mission"

With regard to human capital, a new Human Resources Strategy Group was established based on the belief that diverse values provided by diverse employees will prove the source of innovation. While aiming to increase investment in human resource development per employee by 20%, the Company has set KPIs such as increasing the ratio of female managers and that of male employees taking childcare leave, and plans to achieve sustainable growth in organizational capabilities through DX promotion using DX/IT tools, improvement of diverse human resource capabilities, and development of leaders. In June 2023, the Group Human Rights Policy was formulated to respect the diversity of its human resources and to create new values for a sustainable society.

Corporate governance: impression of an increasingly fulfilling board of directors

The Company is a company with an audit and supervisory committee, and the number of directors (5 internal and 4 outside, including 1 woman; ratio of external members of 44.4%) and their membership have not been unchanged. The executive compensation remains unchanged at 50-60% of fixed salary, but ESG indicators have been newly added to the evaluation items. In the fiscal year ended March 2022, the Board of Directors met seven times, but twice more in the following fiscal year, giving the impression that the Board is becoming more effective.

Figure 19: Key non-financial data



Source: Website of the Company

Stock Valuation

The Company's stock price valuations remain relatively low

PBR = ROE x PER is a well-known formula for calculating stock valuations, and more and more companies have recently been linking ROE to ROIC. Tokyo Electron and SMC have high growth potential and high operating profit margins, and their PERs are highly valued based on their high sustainability. On the other hand, ROE is an indicator that can be manipulated by a company through its capital policy, but the ROE of a company with high profitability but excessive retained earnings remains relatively low. The Company maintains high profitability in line with Tokyo Electron and SMC, but its expected PER is below the average of the seven companies. Although the Company's expected ROE is above the average of the seven companies, its PER remains low, and thus its PBR is the lowest among the seven companies. The Company will likely need to improve its sustainability, expand its investor base, and increase awareness for a higher PER.

CGRA expects the Company to steadily increase its market capitalization, broaden its investor base both domestically and internationally, and increase its recognition

Figure 20: Expected PER remains low despite the Company's high operating profit margin

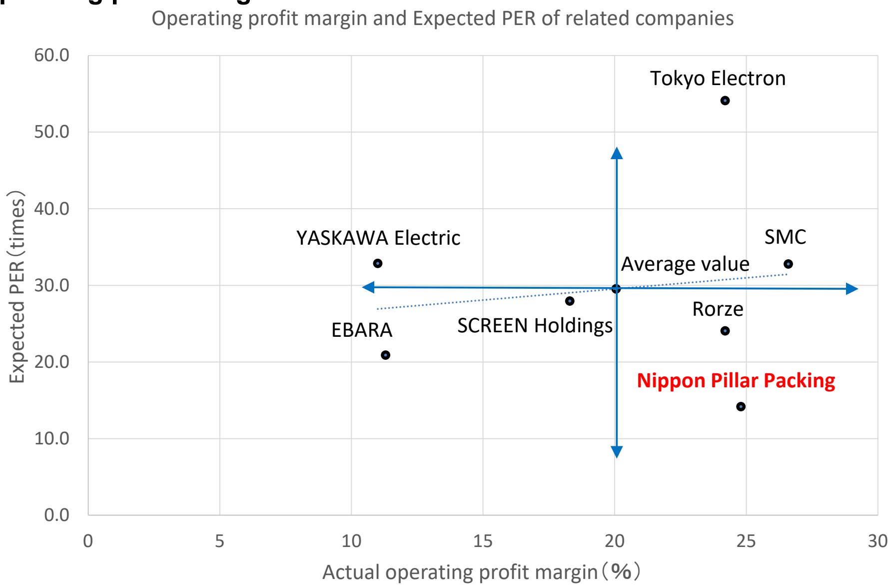
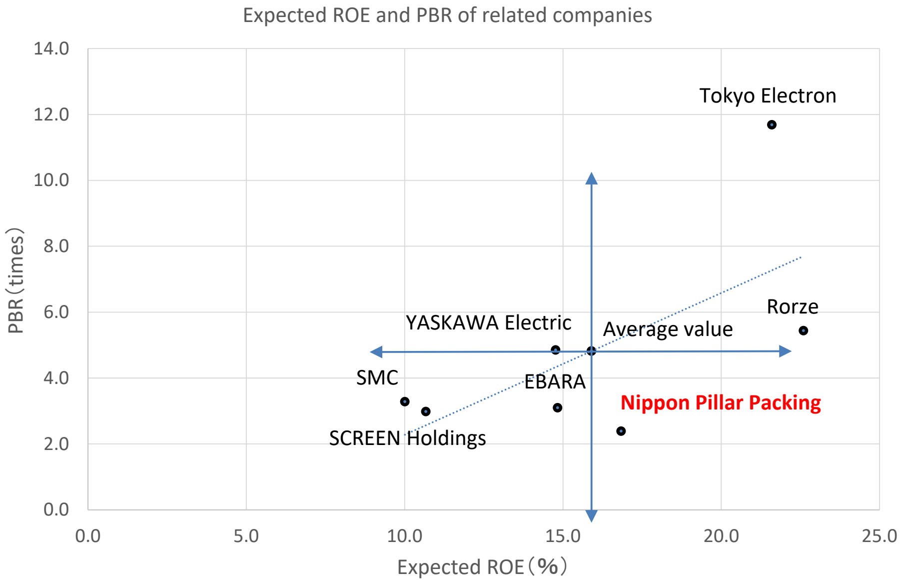


Figure 21: PBR remains low despite the Company's high expected ROE



Source: Created by CGRA based on company materials. EBARA's financial results for the FY ended December, YASKAWA Electric and Rorze's financial results for the FY ended February

Shareholder Return

Shareholder return policy: basic policy for a consolidated dividend payout ratio of 30% or more

The Company has pledged a dividend payout ratio of 30% or more since the fiscal year ended March 2021. In fact, its recent dividend payout ratio was 34.6% (50 yen per share) in the fiscal year ended March 2021, 30.3% (106 yen per share) in the fiscal year ended March 2022, and 30.0% (133 yen per share) in the fiscal year ended March 2023. It should be noted, however, that in the fiscal year ended March 2021, the Company repurchased about 800 million yen of its own shares, resulting in a total payout ratio of 57.6%, and in the fiscal year ended March 2023, it repurchased about 1.0 billion yen, resulting in a total payout ratio of 39.5%. The Company closely monitors stock price trends, and returns profits to shareholders, taking into account capital gains associated with profit growth and income gains including dividend increases and share repurchases.

Expectations grow that the Company will continue to manage its business with an awareness of its stock price and continue to enhance shareholder returns

Dividend policy for the fiscal year ending March 2024: dividends include a commemorative dividend of ¥10 per share for the 100th anniversary of the founding

The annual dividend forecast for the fiscal year ending March 2024 was 120 yen per share (ordinary dividend of 110 yen, special dividend of 10 yen, actual dividend 60 yen at the end of 1H) at the beginning of the period, but the Company raised its dividend forecast to 149 yen (ordinary dividend of 129 yen, special dividend of 10 yen, and commemorative dividend of 10 yen) along with an upward revision to its earnings forecast at the time of the third quarter results. The special dividend commemorates the construction of Fukuchiyama Factory No. 2 and Mita Innovation Center, and the commemorative dividend of 10 yen is for the 100th anniversary of the Company's founding. The dividend payout ratio is 34.7%, but based on an ordinary dividend of ¥129, that would be 30.0%.

Total shareholder return (TSR): high performance

At the end of December 2023 and the end of March in the past, the Company's total shareholder return (TSR; stock price return after taking into account the cumulative dividend during the investment period) significantly outperformed the TSR of TOPIX and the machinery sector. If you were to invest in the Company's shares at the end of the fiscal year ended March 2023 and hold them until December 2023, the TSR would be 22.0%, close to the TOPIX's 19.5%, but if you were to invest in the Company's shares three years ago in the fiscal year ended March 2021, the TSR would be 158.3%, significantly outperforming the 28.9% of the TOPIX and 23.1% of the machinery sector.

The Company's TSR significantly outperforms the TOPIX and the machinery sector

Figure 22: Total shareholder return (TSR) performance based on December 2023

Investment timing	Nippon Pillar Packing TSR: %	TOPIX TSR: %	Machinery sector TSR: %	Nippon Pillar Packing Fiscal year-end	Stock price at end of period: yen	Dividend per share: yen
10 years ago	532.6	143.9	143.2	15/3	1,001	20.0
9 years ago	404.2	86.6	91.0	16/3	979	28.0
8 years ago	412.7	109.3	133.4	17/3	1,501	34.0
7 years ago	232.1	82.5	80.2	18/3	1,582	36.0
6 years ago	212.8	57.5	52.4	19/3	1,277	45.0
5 years ago	284.0	65.8	74.9	20/3	1,258	40.0
4 years ago	286.6	83.2	96.8	21/3	1,864	50.0
3 years ago	158.3	28.9	23.1	22/3	3,080	106.0
2 years ago	52.9	26.4	27.9	23/3	3,750	133.0
1 year ago	22.0	19.5	17.8	23/12	4,455	120.0
				24/3		149.0

Source: Created by CGRA, which anomalously calculated performance as of December 2023

Consolidated P/L、B/S and Cash Flows

Figure23：Consolidated B/S and Cash Flows

(Consolidated) (¥ mn, %)	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3
Current assets	**21,867**	**24,805**	**26,124**	**25,279**	**29,832**	**28,821**	**28,375**	**27,025**	**27,994**	**38,050**	**44,605**
Cash and deposits	10,763	13,093	13,929	12,451	14,060	13,153	12,912	12,196	11,918	21,165	22,458
Receivables	8,481	9,401	9,602	10,159	12,143	12,785	12,026	11,551	12,701	13,009	16,990
Marketable securities	94	0	0	0	112	0	0	0	0	0	0
Inventories	2,128	1,790	2,162	2,174	2,235	2,612	3,063	2,956	3,024	3,528	4,722
Other current assets	401	521	431	495	1,282	271	374	322	351	348	435
Fixed assets	**13,863**	**14,180**	**15,342**	**16,884**	**19,514**	**22,717**	**24,597**	**26,165**	**26,955**	**26,941**	**27,886**
Tangible fixed assets	11,304	11,254	11,510	13,901	15,493	18,107	20,266	21,971	20,669	20,272	**21,124**
Intangible fixed assets	78	75	75	94	107	105	173	251	246	222	**242**
Investments and other assets	2,481	2,851	3,757	2,889	3,914	4,505	4,158	3,942	6,038	6,446	**6,520**
Total assets	**35,731**	**38,986**	**41,466**	**42,164**	**49,347**	**51,933**	**52,972**	**53,190**	**54,949**	**64,991**	**72,492**
Current liabilities	**5,024**	**6,052**	**6,213**	**6,267**	**9,193**	**8,960**	**8,608**	**8,313**	**7,133**	**10,113**	**10,492**
Notes accounts payable - trade	2,534	2,929	3,239	3,185	3,948	3,137	2,985	2,869	3,006	3,728	**3,467**
Short-term borrowings	776	575	516	352	737	727	639	689	254	250	**1,250**
Other current liabilities	1,714	2,548	2,458	2,730	4,508	5,096	4,984	4,755	3,873	6,135	5,775
Long-term liabilities	**2,077**	**2,348**	**2,154**	**1,991**	**3,413**	**3,137**	**2,194**	**1,866**	**2,038**	**2,219**	**2,631**
Long-term borrowing	543	656	339	187	1,410	882	443	4	0	100	100
Other long term liabilities	1,534	1,692	1,815	1,804	2,003	2,255	1,751	1,862	2,038	2,119	2,531
Total liabilities	**7,101**	**8,400**	**8,367**	**8,259**	**12,607**	**12,098**	**10,802**	**10,180**	**9,172**	**12,333**	**13,124**
Total shareholders equity	28,063	29,518	31,162	32,745	35,166	37,657	40,587	41,791	43,502	49,739	**55,927**
Total accumulated other comprehensive income	566	1,067	1,937	1,159	1,573	2,176	1,581	1,218	2,273	2,919	**3,441**
Total net assets	28,629	30,585	33,099	33,905	36,740	39,834	42,169	43,010	45,776	52,658	**59,368**
Total liabilities and net assets	**35,731**	**38,986**	**41,466**	**42,164**	**49,347**	**51,933**	**52,972**	**53,190**	**54,949**	**64,991**	**72,492**

(¥ mn, %)	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3
Operating CF	**2,930**	**3,429**	**2,957**	**3,074**	**3,220**	**3,752**	**5,035**	**4,064**	**5,676**	**11,950**	**6,058**
Profit before income taxes	2,522	3,031	3,124	3,595	4,609	5,014	5,456	3,653	4,837	11,822	14,587
Depreciation	967	924	954	940	1,022	1,397	1,718	1,822	2,056	1,991	1,954
Trade receivables	1,970	-877	-94	-564	-1,989	-635	1,072	455	-1,155	-117	-3,762
Inventories	69	375	-337	-22	-71	-374	-346	101	-81	-538	-1,089
Trade payables	-602	354	275	-48	759	-844	-496	-98	147	344	-551
Income taxes	-1,704	-532	-1,365	-968	-1,359	-1,739	-1,923	-1,505	-719	-1,775	-4,729
Others	-292	154	400	141	249	933	-446	-364	591	223	-352
Cash Flows from investmet activities	**-494**	**-927**	**-1,378**	**-3,230**	**-2,363**	**-3,244**	**-3,902**	**-2,950**	**-3,705**	**-1,551**	**-573**
Purchase of securities	0	0	0	0	0	0	0	0	0	0	0
Purchase of investment securities	-5	-115	0	-14	-596	-74	-132	-134	-168	-376	-27
Proceeds from sales of investment securities	0	0	35	353	56	0	0	0	0	0	0
Purchase of property, plant and equipment and intangible assets	-480	-839	-1,298	-3,549	-1,822	-3,207	-4,107	-2,760	-3,163	-1,365	-2,482
Proceeds from sales of fixed assets	0	0	-125	0	0	0	614	18	0	0	0
Others	-7	28	10	-20	0	37	-277	-74	-374	190	1,936
FCF	**2,436**	**2,502**	**1,579**	**-156**	**857**	**508**	**1,133**	**1,114**	**1,971**	**10,399**	**5,485**
Cash flows from financial activities	**-1,088**	**-505**	**-839**	**-1,145**	**813**	**-1,455**	**-1,493**	**-1,862**	**-2,238**	**-1,711**	**-2,790**
Net increase(decrease) in long term borrowings	-668	-88	-375	-316	1,609	-537	-527	-439	-439	96	0
Net increase(decrease) in short term borrowings	0	0	0	0	0	0	0	50	0	0	1,000
Divident paid	-396	-395	-444	-495	-781	-904	-952	-1,093	-958	-1,771	-2,715
Purchase of tresury shares	0	0	0	-319	0	0	0	-337	-800	0	0
Others	-24	-22	-20	-15	-15	-14	-14	-43	-41	-36	-1,075
Cash and cash equivalents at the end of the period	**9,409**	**11,631**	**12,561**	**11,132**	**12,729**	**11,813**	**11,582**	**10,798**	**10,517**	**19,809**	**22,284**

Figure24：Consolidated P/L

(Consolidated base) (¥ mn,%)	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3COE
Sales	**20,720**	**21,675**	**22,960**	**27,225**	**29,461**	**30,963**	**29,213**	**30,200**	**40,670**	**48,702**	**57,000**
yoy	10.0	4.6	5.9	18.6	8.2	5.1	-5.7	3.4	34.7	19.7	17.0
Cost of goods sold	13,955	14,457	15,287	17,125	18,788	20,214	19,921	19,641	23,156	27,453	-
Cost of goods sold/Sales	67.4	66.7	66.6	62.9	63.8	65.3	68.2	65.0	56.9	56.4	-
SG&A	3,856	3,991	4,204	4,933	5,511	5,622	5,608	5,711	6,121	7,406	-
SG&A/Sales	18.6	18.4	18.3	18.1	18.7	18.2	19.2	18.9	15.1	15.2	-
Operating profits	**2,908**	**3,226**	**3,469**	**5,166**	**5,161**	**5,126**	**3,683**	**4,847**	**11,392**	**13,842**	**13,600**
yoy	21.5	10.9	7.5	48.9	-0.1	-0.7	-28.2	31.6	135.0	21.5	-1.7
OP margin	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.0	28.0	28.4	23.9
Non-operating balance	122	221	25	90	-5	102	41	247	428	294	-
Non-operating profits	152	237	116	111	111	126	120	287	442	332	-
Equity-method investment profits	0	0	0	0	0	0	0	0	0	0	-
Non-operating losses	30	16	91	21	116	24	79	40	14	38	-
Equity-method investment losses	0	0	0	0	0	0	0	0	0	0	-
Financial balance	40	57	71	63	71	77	73	73	79	119	-
Interest earned	6	9	6	6	6	4	4	10	3	6	-
Dividends earned	50	60	72	64	70	78	73	66	80	117	-
Interest paid	16	12	7	7	5	5	4	3	4	4	-
Recurring profits	**3,031**	**3,447**	**3,493**	**5,255**	**5,156**	**5,227**	**3,725**	**5,094**	**11,821**	**14,136**	**14,200**
yoy	20.2	13.7	1.3	50.4	-1.9	1.4	-28.7	36.8	132.1	19.6	0.5
RP margin	14.6	15.9	15.2	19.3	17.5	16.9	12.8	16.9	29.1	29.0	24.9
Extraordinary balance	0	-323	102	-646	-142	229	-72	-257	1	450	-
Extraordinary profits	0	14	207	30	0	602	27	58	3	631	-
Extraordinary losses	0	337	105	676	142	373	99	315	2	181	-
Pretax income	3,031	3,124	3,595	4,609	5,014	5,456	3,653	4,837	11,822	14,587	-
Taxes and deferred taxes	1,176	1,137	1,198	1,405	1,592	1,737	1,017	1,391	3,536	4,159	-
Tax ratio	38.8	36.4	33.3	30.5	31.8	31.8	27.8	28.8	29.9	28.5	-
Net profits	**1,854**	**1,986**	**2,397**	**3,204**	**3,422**	**3,719**	**2,635**	**3,445**	**8,285**	**10,428**	**10,000**
yoy	16.7	7.1	20.7	33.7	6.8	8.7	-29.1	30.7	140.5	25.9	-4.1
NP margin	8.9	9.2	10.4	11.8	11.6	12.0	9.0	11.4	20.4	21.4	17.5
EPS	54.58	80.29	97.23	131.06	139.98	152.13	108.57	144.66	350.47	442.99	429.10
Segment sales											
Industrial equipment businss	9,683	9,797	10,352	10,680	10,467	10,757	10,915	9,471	10,146	11,844	17,000
Electronic equipment business	10,983	11,803	12,525	16,452	18,911	20,123	18,221	20,645	30,410	36,819	40,000
others	53	74	83	91	83	82	77	84	114	38	0
Consolidated sales	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670	48,702	57,000
Segment profit											
Industrial equipment businss	1,434	1,528	1,527	1,828	1,337	1,485	1,403	691	1,589	2,059	2,600
Electronic equipment business	1,456	1,677	1,919	3,314	3,818	3,641	2,253	4,130	9,737	11,759	11,000
others	14	14	12	13	29	15	27	26	66	24	0
Eliminations	3	5	10	9	-23	-16	0	0	0	0	0
Consolidated operating profit	2,908	3,226	3,469	5,166	5,161	5,126	3,683	4,847	11,392	13,842	13,600
Segment profit margin											
Industrial equipment businss	14.8	15.6	14.8	17.1	12.8	13.8	12.9	7.3	15.7	17.4	15.3
Electronic equipment business	13.3	14.2	15.3	20.1	20.2	18.1	12.4	20.0	32.0	31.9	27.5
others	26.4	18.9	14.5	14.3	34.9	18.3	35.1	31.0	57.9	63.2	-
Consolidated operating profit	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.0	28.0	28.4	23.9
Regional sales											
Japan	17,565	17,647	19,156	22,416	23,124	23,904	21,427	21,975	28,254	33,537	-
Asia	2,095	2,862	2,565	3,172	4,528	4,345	5,316	5,721	7,411	8,225	-
Others	1,059	1,165	1,238	1,637	1,809	2,713	2,470	2,504	5,005	6,939	-
Consolidated sales	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670	48,702	-
Overseas sales	3,154	4,027	3,803	4,809	6,337	7,058	7,786	8,225	12,416	15,164	-
YoY growth rate											
Japan	5.1	0.5	8.6	17.0	3.2	3.4	-10.4	2.6	28.6	18.7	-
Asia	43.7	36.6	-10.4	23.7	42.7	-4.0	22.3	7.6	29.5	11.0	-
Others	59.5	10.0	6.3	32.2	10.5	50.0	-9.0	1.4	99.9	38.6	-
Consolidated sales	10.0	4.6	5.9	18.6	8.2	5.1	-5.7	3.4	34.7	19.7	-
Overseas sales	48.6	27.7	-5.6	26.5	31.8	11.4	10.3	5.6	51.0	22.1	-
Domestic sales ratio	84.8	81.4	83.4	82.3	78.5	77.2	73.3	72.8	69.5	68.9	-
Overseas sales ratio	15.2	18.6	16.6	17.7	21.5	22.8	26.7	27.2	30.5	31.1	-

Source：Created by CGRA based on Company documents

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.

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