

Medium-Term Management Plan “BTvision22”

Growth scenario for the 100th anniversary of the Company

The Company commenced its new three-year medium-term management plan, BTvision22 (Breakthrough Vision 22) in fiscal 2020. The name “BTvision22” carries the meaning of leaping forward by breaking through all types of preconceptions (in processes, technological development and costs) in order to work toward sustained enhancement of corporate value in the midst of rapidly changing market conditions.

2017 to 2019

Previous medium-term management plan BTvision19

2020 to 2022

Medium-term management plan BTvision22

Materiality groups in which the Nippon Pillar Group tackles

- Decarbonization and energy saving
- Circular economy and resource conservation
- Prevention of chemical pollution and conservation of water resources
- Biodiversity conservation
- Product development and manufacturing in response to social issues
- Creation of workplaces that enable diverse human resources to grow and succeed
- Living in harmony with the world and society
- Establishing transparent and responsible governance

For details see pages 17–18

2024

100th anniversary

The medium-term management plan “BTvision22” was launched in April 2020 and incorporates the following five basic policies:

- (1) Enhancing business infrastructure
- (2) Achieving further globalization
- (3) Creating new businesses
- (4) Promoting ESG/SDGs management
- (5) Financial strategy

Although fiscal 2022 will be the final year of the plan, we have revised upward our performance target for net sales in the final year of the plan, since the demand for semiconductors is expanding due to the progress of digital transformations (DX) and 5G, and our actual results in fiscal 2021 exceeded the final year target in the original plan. We will achieve each of the targets in the revised medium-term management plan to further strengthen our competitiveness and increase our corporate value.

(1) Enhancing business infrastructure

In the electronic equipment business, the importance of semiconductors to society is increasing at a rapid pace, and we are making use of previously installed facilities and building a system to ensure a stable supply of products to keep pace with this growing demand. In preparation for the further growth in demand, we are continuing to make proactive capital investments, including the launch of Fukuchiyama Second Factory.

In the industrial equipment business, we are aggressively introducing our products in the field of hydrogen and other new energy sources, which require new technologies with excellent environmental performance, in order to set ourselves apart from our competitors.

(2) Achieving further globalization

With the operation of new overseas production bases in the U.S.A. and Indonesia, we are focusing on capturing demand in the plant market, especially in Southeast Asia, by tapping into the fluorocarbon polymer processing demand in the U.S.A. and improving the response of mechanical seal repair in Indonesia.

In addition, the Chuzhou Factory in China will begin production of resin products for the electronic equipment business market.

(3) Creating new businesses

In the development process of new technologies and products, we will utilize industry-government-academia collaboration and IT technologies such as machine learning more than ever to improve quality, quantity, and speed. In addition to our existing development resources, we are actively promoting technological development in our electronic and industrial equipment businesses through the use of our Technology Development Center, which is currently in the planning stage.

(4) Promoting ESG/SDGs management

In addition to contributing to the protection of a clean global environment and resource conservation through the development and supply of products that control fluids, we also strive to reduce the amount of environmentally hazardous substances and energy consumption generated from the procurement of materials involved in the manufacture of our products to the delivery of those products to our customers.

In addition, the Group has expressed our support for the recommendations made by the Task Force on Climate-related Financial Disclosure (TCFD). Based on these recommendations, we will manage and assess climate change-related risks and opportunities and disclose any appropriate information, while contributing to the decarbonization of markets and society and the enhancement of their resilience to climate change through the development of technologies and the supply of products that play part in climate change mitigation and adaptation.

(5) Financial strategy

The Company considers the return of profits to shareholders as one of our most important management issues. With regard to dividends, we aim to achieve a dividend payout ratio of 30% or more, which we achieved in fiscal 2021 with 30.3%. We will consider share repurchases, seeking a balance between investment for sustainable growth and the return of profits to shareholders. We will continue to strive for this balance with investment in growth and aim for stable, ongoing, and improved levels of growth.

Financial Strategy

	BTvision19	(New) BTvision22		
	FY2019 (Final Year) Results	FY2020 Results	FY2021 Results	FY2022 (Final Year) Forecast
Sales	29,213	30,200	40,670	44,000
Operating income	3,683	4,847	11,392	11,800
Operating income ratio	12.6%	16.1%	28.0%	26.8%
ROE	6.2%	7.8%	16.8%	8.0% or higher
Payout ratio	36.8%	34.6%	30.3%	30% or higher
Capital expenditure	(Three-year cumulative) 11,649	972	992	2,000
			3,964	

Segment Sales

Electronic Equipment Business				
Sales	18,221	20,645	30,410	33,200
Operating income	2,253	4,130	9,737	10,000
Industrial Equipment Business				
Sales	10,915	9,471	10,146	10,800
Operating income	1,404	691	1,589	1,800

Progress of BTvision22 activities (Basic policies (1) Enhancing business infrastructure (2) Achieving further globalization (3) Creating new businesses)

	Results of FY2021	Action Plan for the Final Year
Electronic Equipment Business	<ul style="list-style-type: none">Launched “Sweep Elbow,” a new type of joint that contributes to low pressure loss and energy savingsStarted construction of Fukuchiyama Second FactoryImproved yield/productivity through improvementsObtained new Ministerial approval for seismically isolated sliding bearingsProposed and produced prototypes of antenna substrates for 5G	<ul style="list-style-type: none">Further improve cost competitiveness and supply capacity through activities to reduce defect ratesStart up a product line for the semiconductor market in Chuzhou PillarExpand business areas and increase market share in the semiconductor marketFurther expand production facilities for semiconductor production equipmentDevelop new products through industry-government-academia collaboration
Industrial Equipment Business	<ul style="list-style-type: none">Expanded sales of mechanical seals for precision equipmentDelivered products to manufacturers of equipment for the hydrogen market, and promoted trial production and proposalsProduced prototype resin fittings for the mass production marketStrengthened sales and support capabilities through integration of sales subsidiaries	<ul style="list-style-type: none">Increase global market share of mass-produced products for the automotive marketStrengthen global strategies, including the development of the Chinese marketIncrease in the share of mechanical seals for precision equipmentBuild a system to strengthen the repair parts businessDevelop sealing products for the clean market

Progress of BTvision22 activities (Basic policies (4) Promoting ESG/SDGs management)

Environment		Society	
●Endorsement of TCFD Recommendations	●Introduction of ICP	●Promotion of Diversity Management	●Health Management
<ul style="list-style-type: none">Express endorsement of the TCFD in March 2022, recognizing climate change as a crucial management issueSet the long-term goal of virtually zero CO₂ emissions by fiscal 2050	<ul style="list-style-type: none">Introduce an Internal Carbon Pricing (ICP) system for investments in projects and facilities to stimulate internal discussions on low-carbon initiativesCO₂/t = 9,200 yen (as of October 2021)	<ul style="list-style-type: none">Set target for percentage of women in management positions: by 2025 = 5% by 2030 = 10% Note: Percentage of female managers among all managersEmployment of people with disabilities Promote and maintain employment that exceeds the legally mandated employment rate	<ul style="list-style-type: none">Formulation of Health Management DeclarationConducted three rounds of COVID-19 vaccination at workplaces