

Electronic Equipment Business



Expanding our production bases to meet growing demand for semiconductors while focusing on recycling in response to resin shortages

We aim to respond to the ever-growing semiconductor market by ensuring stability of supply, a challenge we are addressing by expanding our production bases in Japan and in other markets. Furthermore, we are promoting the use of substitute and recycled materials in response to the shortage of fluoro-resin. We also intend to improve the cleanliness of recycled resins.

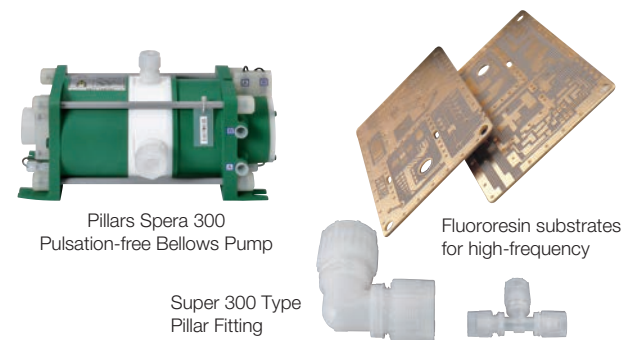
Executive Officer
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Business Overview and Market Environment

As part of our business, we manufacture fluoro-resin fittings and pumps for semiconductors and LCDs. Amid dizzying changes in the market environment, such as the spread of the COVID-19 pandemic, Russia's military invasion, and friction between the U.S.A. and China, the semiconductor market continues to face a shortage of semiconductors due to increased global demand. Consequently, our performance in fiscal 2022 exceeded that of fiscal 2021, which was a successful year. On the other hand, fiscal 2022 was also a year in which we faced the major challenge presented by the shortage of fluoro-resin as a raw material. As countermeasures, we considered recycling resins that had previously been discarded as scrap and using alternative materials suited to specific applications. In addition, since these products must meet semiconductor specifications that require a high level of cleanliness, we worked with our customers to confirm

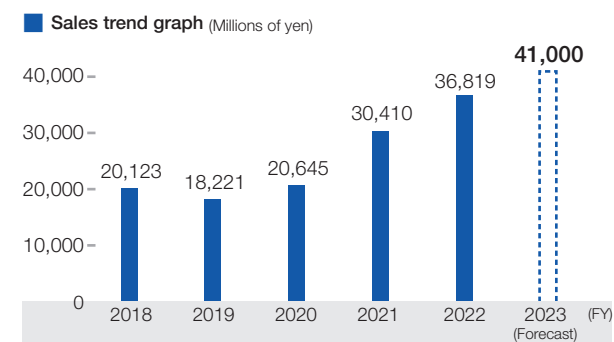
suitability for the application at hand during the switch to recycled and alternate materials. At the same time, we worked hard to secure the required supply volume through tenacious negotiations with resin manufacturers.



Review of "BTvision22," Our Previous Medium-Term Management Plan

Fiscal 2022 marked the final year of "BTvision22," our previous medium-term management plan. The fiscal year concluded with net sales increasing by 6.4 billion yen, representing an increase of 21.1% compared to the preceding fiscal year, thus setting a record high for the second consecutive year. While strong demand for semiconductors in the IT and automotive sectors provided a significant tailwind, I feel that the various measures we implemented to ensure adequate supply greatly underpinned these results. For example, in terms of capital investment, we have implemented equipment investment plans that look ahead several years, considering the fact that manufacturing equipment often entails lengthy delivery times. In the area of injection molds, our Group acquired Masuko Manufacturing Co., Ltd., a manufacturer specializing in molds, in fiscal 2022. As a result, we were able to introduce many molds by sharing and collaborating with the company in a detailed and timely manner. In addition,

we have been able to pass on price increases attributable to soaring raw material prices, but we recognize that this required gaining the understanding of our customers, an accomplishment that reflected their deep trust in our products.



Outlook for "One2025," Our New Medium-Term Management Plan

Under our new medium-term management plan titled "One 2025," scheduled for introduction in fiscal 2023, we aim to establish a solid business foundation by continuously introducing high-value-added and differentiated products to the growing and continuously evolving semiconductor market.

We will continue to strengthen our foundation by increasing our product supply volumes and improving productivity with the start of operations at the Fukuchiyama Second Factory. At the same time, we will increase our competitiveness in terms of cost and delivery schedule.

In addition, in the Chinese market, Pillar Technology

(Chuzhou) Co., Ltd., will seek to increase its market share by expanding its production capabilities. Meanwhile, in the European and American markets, we aim to further increase adoption of our products among semiconductor equipment manufacturers.

As for the challenges we intend to take on, we will strive to realize the vision of "One2025" by building a resilient supply chain and promoting resin recycling. We will also introduce two-color moldings that combine two types of resins as well as large-scale moldings, two challenges that we have not previously attempted.

Future Tasks and Goals

The semiconductor market is expected to plateau in fiscal 2023, but expectations are high that the next wave of market demand will arrive in the second half of 2023 and in 2024. As for overall market trends, we expect the semiconductor market to continue growing, driven by demand in the IT and ICT sectors and in the automotive industry. In addition, the evolution of communications technologies such as 5G and 6G in the information and communication market will drive demand not only for semiconductors but also for our

fluoro-resin substrates (high-frequency substrates). We will also promote the development of non-semiconductors that take advantage of the characteristics of fluoro-resin.

As we approach our 100th anniversary in 2024, we will continue to promote the forward leap embodied in "One 2025" as we embark on our next 100 years while valuing our founding spirit as a company that excels at handling fluid control components.

TOPICS

Utilizing Recycled Resins

As a measure to address the shortage of fluoro-resin, we are reusing scrap resin generated after molding as recycled resin. Due to the risk of contamination, we are currently in consultation with customers and limiting the scope of application of this material. In the future, we will focus on improving its cleanliness in order to contribute to the efficient use of limited resources as well as waste reduction.



Nuts made of recycled materials (left)

Pillar Technology (Chuzhou) Co., Ltd., has begun manufacturing products for use in semiconductor manufacturing equipment.

In response to efforts to strengthen our semiconductor business in China, Pillar Technology (Chuzhou) Co., Ltd. has undertaken full-scale manufacturing of products for use in semiconductor manufacturing equipment. We also opened a new office in Beijing, where many semiconductor-related companies have congregated. In order to respond to the future needs of the Chinese semiconductor market, which is expected to continue expanding, we will promote the practice of local production for local consumption.



Clean room at Pillar Technology (Chuzhou) Co., Ltd.