

Industrial Equipment Business



Establishing a new business foundation during the major shift toward carbon neutrality

In order to contribute to the emergence of a decarbonized society, we will consolidate the Group's technologies and expand our business through R&D initiatives utilizing our Innovation Center and synergies with Tanken Seal Seiko.

Executive Officer
General Manager,
Sales Headquarters and 1st Sales Dept.

Toyokazu Serita

Business Overview and Market Environment

Our business deals mainly with the key industries that drive the Japanese economy, including electric power, petrochemicals, and shipbuilding. These industries are implementing carbon-neutrality initiatives and are thus immersed in a period of major transition. They are now promoting non-fossil-fuel energy sources, a structural transformation of their respective industries, and significant energy-efficiency initiatives. We are therefore focusing on creating business opportunities as well. The Japanese government's carbon-neutrality policy has been a major driving force, and as each company undergoes various verifications and demonstrations, we are encountering opportunities for our products to be evaluated. Looking to the market for next-generation batteries, hydrogen as a fuel, and electric vehicles (EVs), we are expecting commercial operation and mass production to come to the fore in the next three to five years. I am confident that fiscal 2022 has marked a step toward establishing our business in new growth markets.

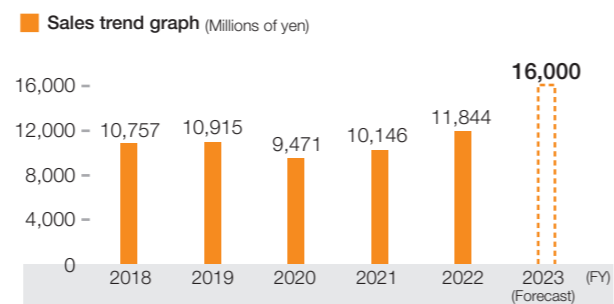
On the other hand, the semiconductor shortage and the emergence of global economic disruptions have had an impact; parts procurement has been affected by longer delivery times and higher prices. In order to maintain a sustainable supply system, we have been negotiating and coordinating with our customers to an unprecedented extent. This has involved proposing substitutions, suggesting design changes, and solving problems in close collaboration with our customers.



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

Since we launched our previous medium-term management plan, "BTvision22," in fiscal 2020 during the emergence of the COVID-19 pandemic, our plans were impacted by changes in the economic environment in which we operate. Due to the decline in new plant projects and the extension or contraction of scheduled repairs at existing plants, both new demand and maintenance demand in the electric power and petrochemical industries have declined. On the other hand, products for precision equipment for the semiconductor market performed well, contributing to the improvement in sales and profits for the business as a whole. Until recently, most of the demand for these products had arisen from within Japan but, as our customer base has grown, demand from outside Japan has increased. As a result, net sales in

fiscal 2022, the final year of "BTvision22," grew by 1.7 billion yen, representing a year-on-year increase of 16.7% and a new record high.



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

Under "One2025," our new medium-term management plan scheduled for implementation in fiscal 2023, we will adopt a range of measures with the goal of acquiring an overwhelming share of new global markets created by the response to social issues arising from decarbonization.

For example, in fiscal 2022, we established a new team of specialists to address digital transformation within the engineering division as a response to the increasing digitization taking place across society. In April 2023, our Group acquired Tanken Seal Seiko Co., Ltd., thereby adding a new product group and material technology. This fall, construction of the Innovation Center in our Sanda Factory will be completed, which will consolidate the Group's technologies and promote development of technologies and products through collaboration among industry, government, academia, and our Group's own companies. As the industrial structure shifts toward the emergence of a decarbonized society, we will take

advantage of these new initiatives to establish innovative businesses that contribute solutions to social issues. We will do so by making full use of our technological expertise, ability to devise solutions, and capabilities as a comprehensive manufacturer of fluid control equipment.

In addition, as the oil refining and electric power industries experience generational turnover among skilled employees, and as younger maintenance personnel enter the workplace, demand has been growing for maintenance-related consulting services such as advice on how to install seals. We intend to expand the functions of our repair bases and utilize both internal and external resources to increase customer contact by holding workshops and providing on-site guidance. We will expand our maintenance business and expand our stand-alone sales business to encompass services with the goal of expanding sales and improving our profitability.

Future Tasks and Goals

Look to our existing markets and product lines, we plan to develop seals for precision equipment used in the market for next-generation semiconductors, which must meet even more stringent requirements. Through this endeavor, we intend to expand our global market share with gland packings that comply with international standards.

For the emerging carbon-neutral market, we aim to establish a strong business foundation as we move to the next stage of commercialization and mass production.

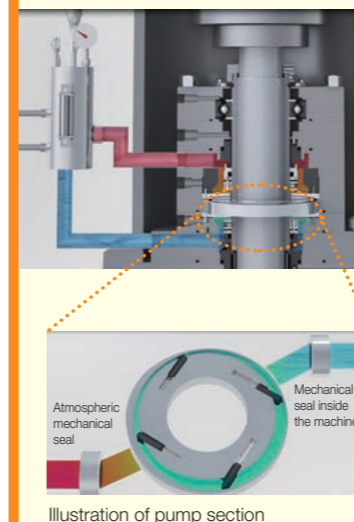
In terms of our supply system, we feel that providing

customers with peace of mind is essential. We intend to achieve this by supplying products in a stable and sustainable manner while providing solutions for the risks that exist.

Our core competency, fluid control technology, is directly linked to the need to address environmental and social issues related to the decarbonization of society. As we approach our Company's centennial celebration, we are seeking to return to the origins of our founding and continue to be an entity the world relies on.

TOPICS

Sample system



Market Launch of the Pillar Sealant Circulating & Cooling System (PSCC)

The Pillar Sealant Circulating & Cooling System (PSCC) represents a new concept for a sealant circulation system equipped with a pumping function in the mechanical seal unit.

Until recently, mechanical seals for agitators have required an auxiliary device, called a pressure unit, in the high-temperature range where the internal temperature can exceed 200°C when water or solvents are used as the sealing liquid (or lubricating liquid). Pressure units are associated with several issues, such as the high cost of installing equipment for customers and the need for careful consideration of the installation location. The PSCC, however, can be operated by the seal unit alone by incorporating a pump function into the mechanical seal, eliminating the need to install a separate pressure unit. In addition to forming an appropriate sealing environment, this innovation contributes to reduced running costs and space requirements. What's more, the pump can be repaired, contributing to energy efficiency and resource conservation. In addition, a simplified system configuration is possible, eliminating the need for complicated operations. We will continue to develop products that contribute solutions to environmental and social issues while addressing customer issues.