



## Industrial Machinery & Materials



Achieving our SDGs by supplying eco-friendly products

Director and Managing Executive Officer  
General Manager of Industrial Machinery & Materials Division

**Kuniaki Hihara**

### Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

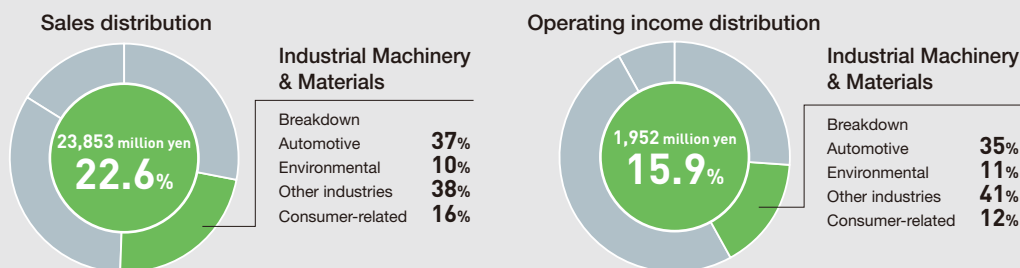
(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	22,000	20,390	24,000	23,853	(147)	↘	27,200	30,900
Operating income	1,200	1,235	1,550	1,952	402	↗	2,150	2,200
Operating margin	5.5%	6.1%	6.5%	8.2%	1.7 points	↗	7.9%	7.1%

\*Announced in January 2023

### Performance by business segment for the fiscal year ended November 2022

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).



### Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	6.4%	7.7%	3.5%	3.6%	5.8%

### Main products and services

- Automotive: FA equipment, interior materials and cushioning (nonwoven fabric), thread for airbags and seatbelts, motor binding materials
- Environmental: Filters (nonwoven fabric)
- Other industries: OA and home appliance materials; semiconductor-related and imaging equipment; carpets for homes, offices, and trade shows
- Consumer-related: Racket sports related, fishing related, materials for musical instruments



## Business overview

- Provision of products, materials, technologies, and services for automotive, environmental, other industrial, and consumer-related fields

## Key policies

- Expand profits primarily in the automotive and environmental business
- Expand overseas sales
- Expand profits in the nonwoven fabric business (synergy between Ambic and Fuji)

## Sustainable management-focused medium-term management plan and strategy

### Business advantage

In the Industrial Machinery & Materials Division, we have established a key policy of expanding profits primarily in the automotive and environmental fields, whose markets are expected to grow due to strong demand from society. Each group company has a research and development department, and we have in place a structure that enables us to develop competitive products tailored to each market's needs with regard to use versatility, durability, functionality, and environmental friendliness. In addition to maintaining production bases in Japan, we have also expanded into China and the ASEAN region to build a value chain capable of quickly delivering high-quality, low-cost products. We are also a trading company, with sales strength not only in Japan but also overseas.

### Risks and opportunities

We recognize the risk created by slumping automobile sales, both in Japan and overseas, due to a shortage of semiconductors and the economic recession, as well as the risk of rising costs due to yen depreciation and soaring raw materials and energy prices. At the same time, however, we are working to capture new sales opportunities for high-function incinerator filters as a result of stronger environmental regulations in China, as well as for EV-related materials as a result of the anticipated expansion in the EV market.

### Business strategy

In the automotive business, current global efforts to reduce greenhouse gas emissions are driving technological innovation in electrification, automation, and other areas. This represents golden opportunities for our division to capitalize on the uniqueness and superiority of Nikke Group technologies to actively develop and provide materials for EV, FA equipment, and other products. In the environmental business, protection against air pollution and other problems is a major global concern. By supplying high-performance filters and other environmentally friendly products, as well as undertaking environmental load reduction efforts, we will also contribute to the achievement of the SDGs.

#### Expanding operations at Sanwa Felt (Vietnam)

In March 2023, Nikke Group decided to transfer and expand operations at Sanwa Felt (Vietnam) Co., Ltd. for OA-use felt and nonwovens. This decision was made in response to customers relocating their manufacturing bases from China to Vietnam. We will use this opportunity to expand business.

