

Leading in the Total Sealing Technology ... and Responding to the Future Needs.

NIPPON PILLAR PACKING CO., LTD.

Financial Results Presentation Material
Second Quarter for Fiscal Year Ended March 31, 2019

November 2018
Securities code:6490



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Summary of Financial Results and Initiatives (1)

Points of Financial Results

Due to strong performance in electronic equipment business, both sales and income largely increased.

Sales: ¥16,042 million (Year-on-year change: up 2,066 million yen, +14.8%)

- Severe conditions with fewer new capital investment continued in the industrial equipment business in Japan. However, the sales increased 0.2% compared to the same period the previous year as a result of focusing on repair products in overseas.
- The sales in electronic equipment business increased 23.3% compared to the same period the previous year as the semiconductor manufacturing equipment market continued to boom due to expansion of the demand for semiconductors for AI and IoT.

Operating income: ¥3,024 million (Year-on-year change: up 735 million yen, +32.1%)

- Despite an increase in depreciation costs by active investment and temporary relocation costs for restructuring Sanda Factory, the sales increased to secure profits over the previous year.

Net income: ¥2,314 million (Year-on-year change: up 773 million yen, +50.2%)

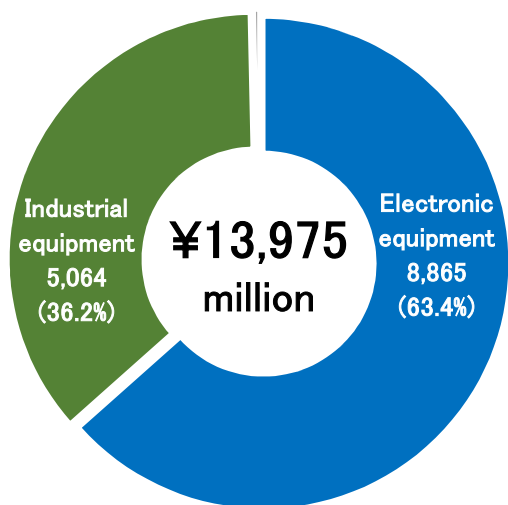
- The quarterly net income attributable to owners of parent totaled 2,314 million yen (year-on-year change: up 50.2%) including extraordinary income associated with the sale of real estate.



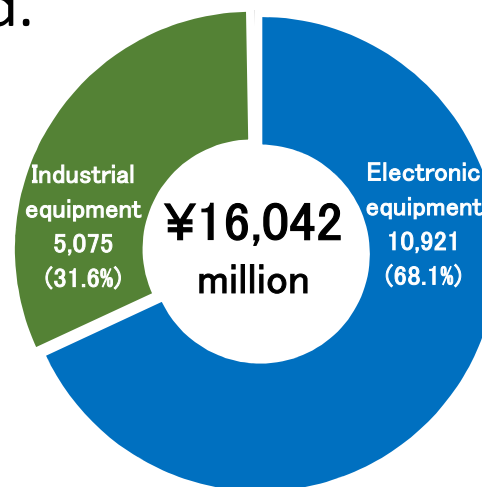
Summary of Financial Results and Initiatives (2)

Sales by Segment

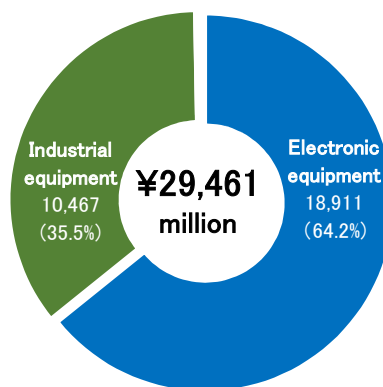
As the sales for semiconductor devices continued to steadily grow, the sales related to electronic equipment business largely increased.



FYE March 2018
1-2Q



FYE March 2019
1-2Q



(Reference)
Full year results of FYE March 2018

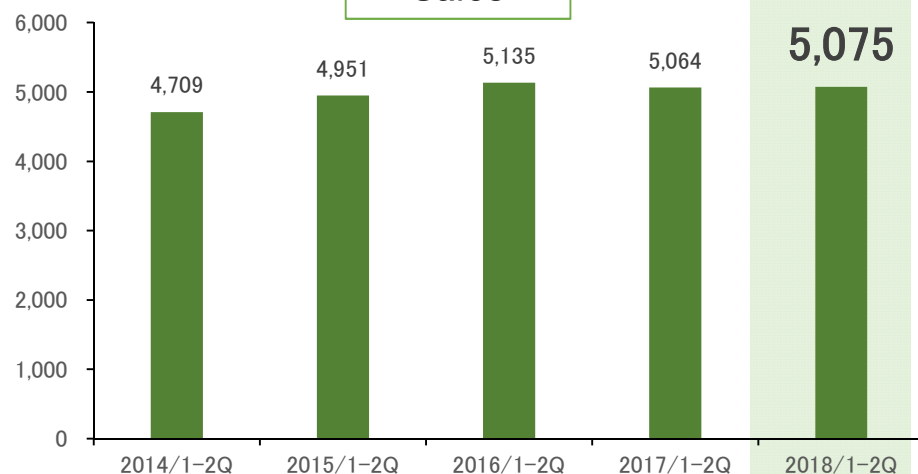


Summary of Financial Results and Initiatives (3)

Industrial Equipment Business

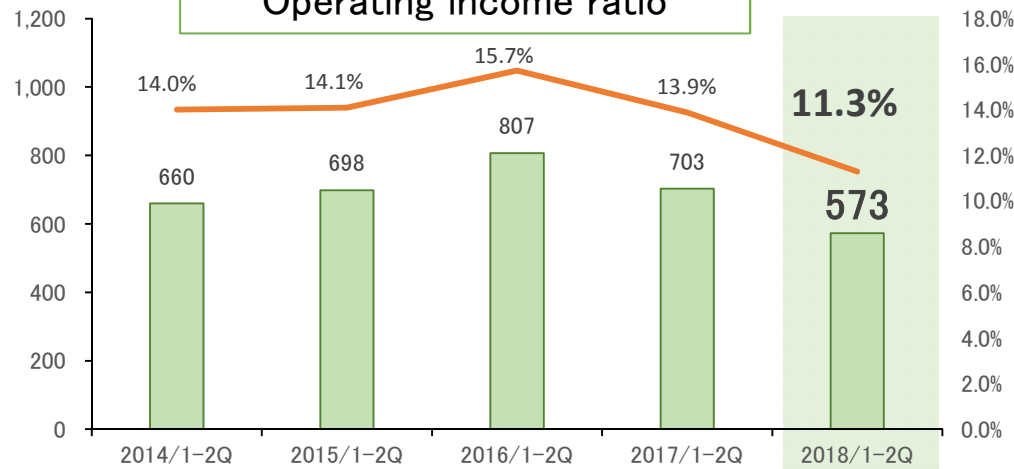
(Unit: million yen)

Sales



(Unit: million yen)

Operating income/ Operating income ratio



Points

- The sales of products for CMP devices increased.
- Continuously focused on repair products overseas due to fewer new capital investment in the Japanese market
- Increase in the number of inquiries caused by the expanding investment overseas due to high crude oil
- Some facilities in Sanda Factory started operation after renewal to promote production efficiency.
- The operating income and operating income ratio decreased due to temporary costs for renewal.

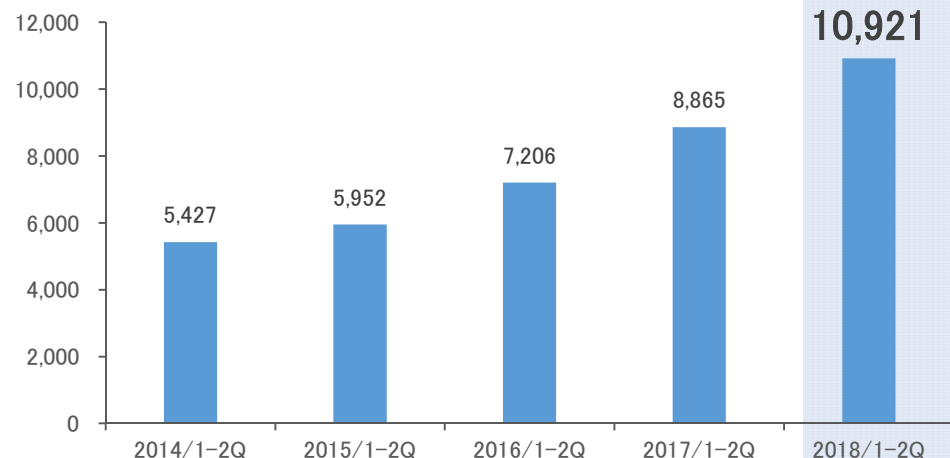


Summary of Financial Results and Initiatives (4)

Electronic Equipment Business

(Unit: million yen)

Sales

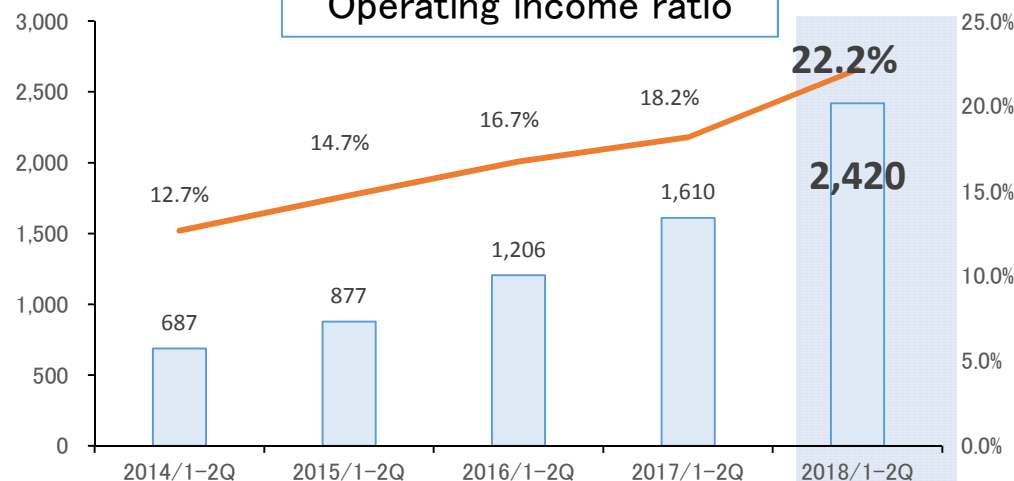


Points

- Receipt of high level of orders continued for 1Q and 2Q of FYE March 2019 in succession to 4Q in FYE March 2018.
- There were solid demand in various fields as investment for AI and IoT markets got into full swing.
- The system for increasing production capacity in Fukuchiyama Factory and Kyushu Factory were completed, increasing the production capacity 30%.
- Sales and profits increased on year-on-year basis despite increased depreciation costs.

(Unit: million yen)

Operating income/ Operating income ratio





Summary of Financial Results and Initiatives (5)

Main Topics (1)

Partial completion of the new Sanda Factory

State of the art factory with sufficient earthquake protection

[Sanda Factory]

As one of our main factories, this factory produces and develops seal products for industrial equipment such as mechanical seals, gland packings and gaskets.

■ Concept of renewal

- ✓ Improve productivity by rational layout, automation and mechanization, and enhancing IT technologies.
- ✓ Improve working environment, safety, and BCP effectiveness by renewal of old buildings.
- ✓ Improve reliability and security of visitors by developing the technical training center, analysis center, and showroom.

■ Schedule of progress

April 2017	Sanda Factory renewal work started
June 2018	1st period construction completed
July 2018	2nd period construction started
March 2020	Sanda Factory renewal completed



Showroom in the factory



New Sanda Factory



Summary of Financial Results and Initiatives (5)

Main Topics (2)

Established a subsidiary in Germany

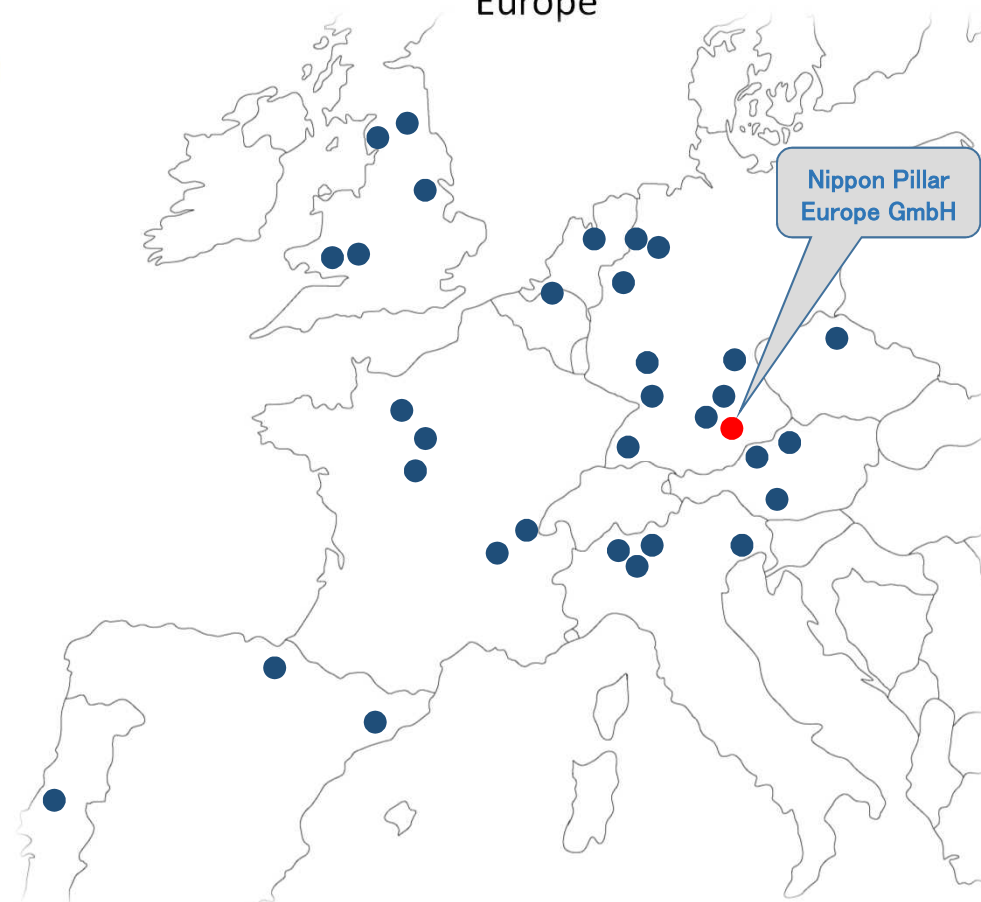
Important base of ▪ strengthening sales and technical support in the European market

- Establish the subsidiary in Europe where the world's leading technologies exist not only in the industrial equipment and semiconductor manufacturing equipment market but also in the automobile market.
- Aim to increase orders not only in Germany but in entire Europe by strengthening sales and technical support.

Outline of the subsidiary in Germany

- (1) Corporate Name: Nippon Pillar Europe GmbH
- (2) Location: Federal Republic of Germany, Bavaria
- (3) Established: July 2018
- (4) Capital: 1 million euros (about 130 million yen)
- (5) Shareholder composition: Nippon Pillar Packing Co., Ltd. (100%)
- (6) Description of business:
Sales and maintenance of products made by Nippon Pillar Packing

Main customers in Europe





1. State of Financial Results

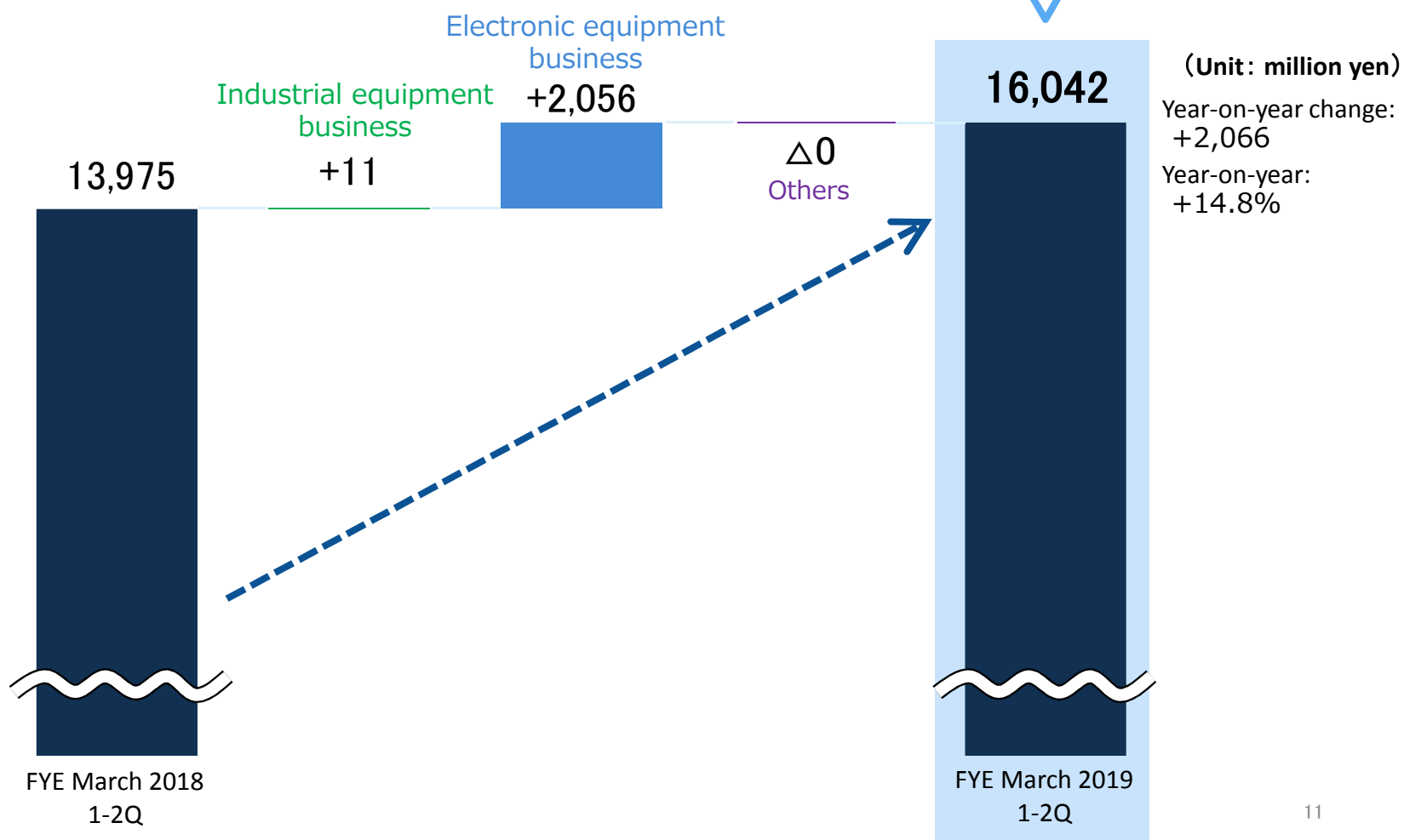
Summary of Business Performance

(Unit: million yen)

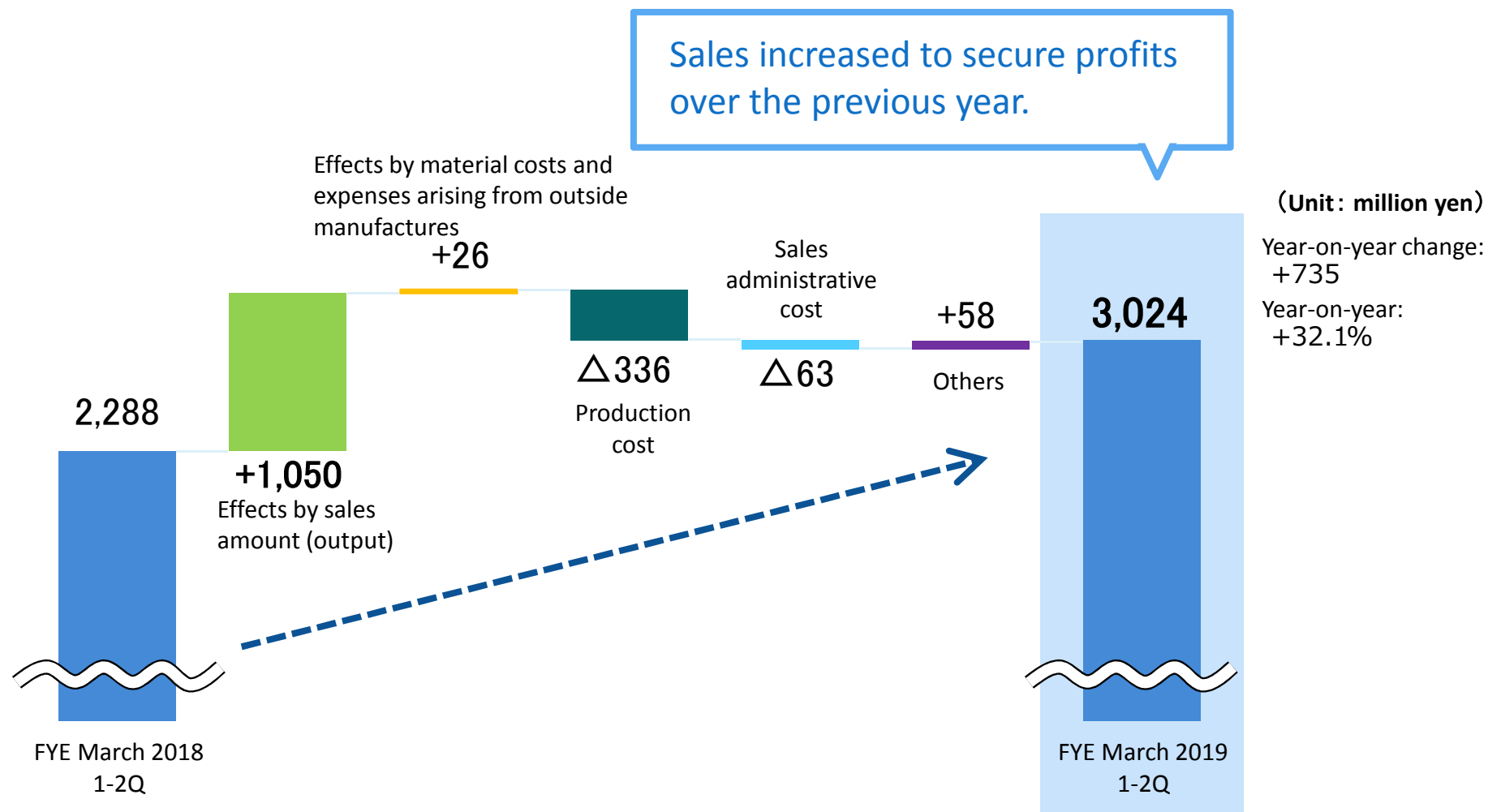
	Cumulative 2nd quarter of FYE March 2018	Cumulative 2nd quarter of FYE March 2019	Year-on-year	
	<Results>	<Results>	Change	(%)
Consolidated Results				
Sales	13,975	16,042	2,066	14.8
Operating income	2,288	3,024	735	32.1
Operating income ratio	16.4%	18.9%	—	—
Ordinary income	2,318	3,130	811	35.0
Net income	1,540	2,314	773	50.2
Net earnings per share	63.00	94.65	31.65	—
Dividend	17.00	20.00	3.00	—
By segment				
Industrial equipment business				
Sales	5,064	5,075	11	0.2
Operating income	703	573	△ 130	△ 18.5
Electronic equipment business				
Sales	8,865	10,921	2,056	23.2
Operating income	1,610	2,420	810	50.3

Analysis of Increases and Decreases in Sales

Sales for semiconductor manufacturing equipment remained strong.
Sales for electronic equipment business largely increased.

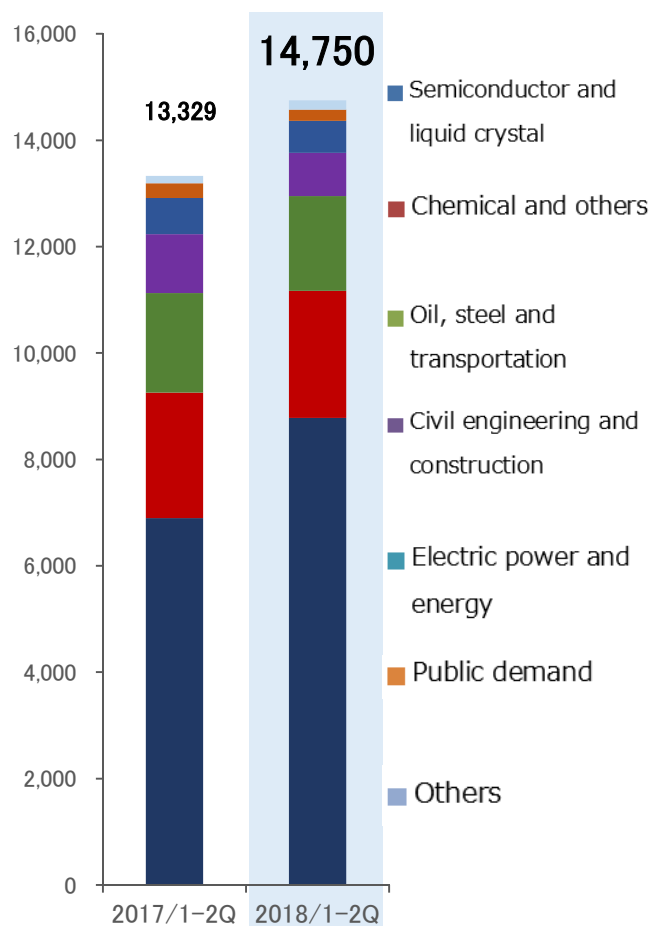


Analysis of Increases and Decreases in Operating Income

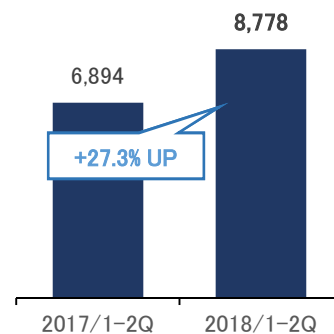


Sales by Market (Non-consolidated (for Reference))

(Unit: million yen)

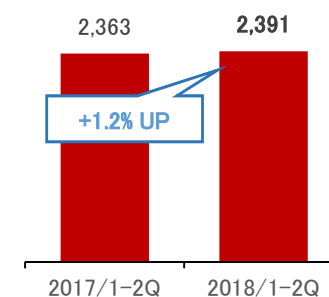


Semiconductor and liquid crystal



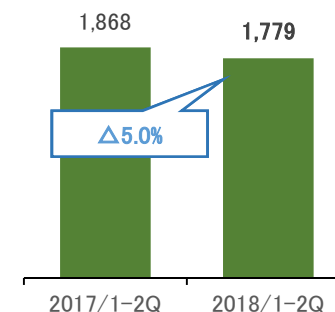
For semiconductor devices largely increased.

Chemical and Others



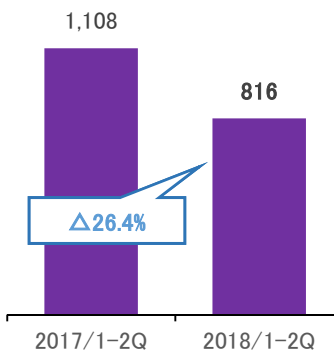
Packing for overseas remained strong.

Oil, steel and transportation



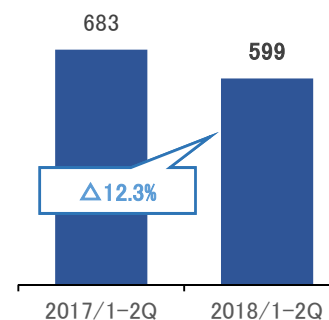
Yarn for overseas decreased.

Civil engineering and construction



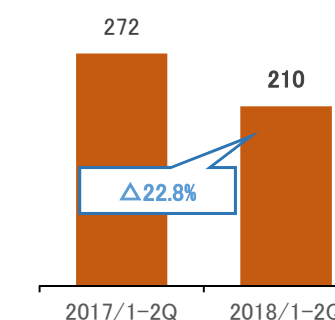
Demand for seismic isolation replacement was postponed.

Electric power and energy



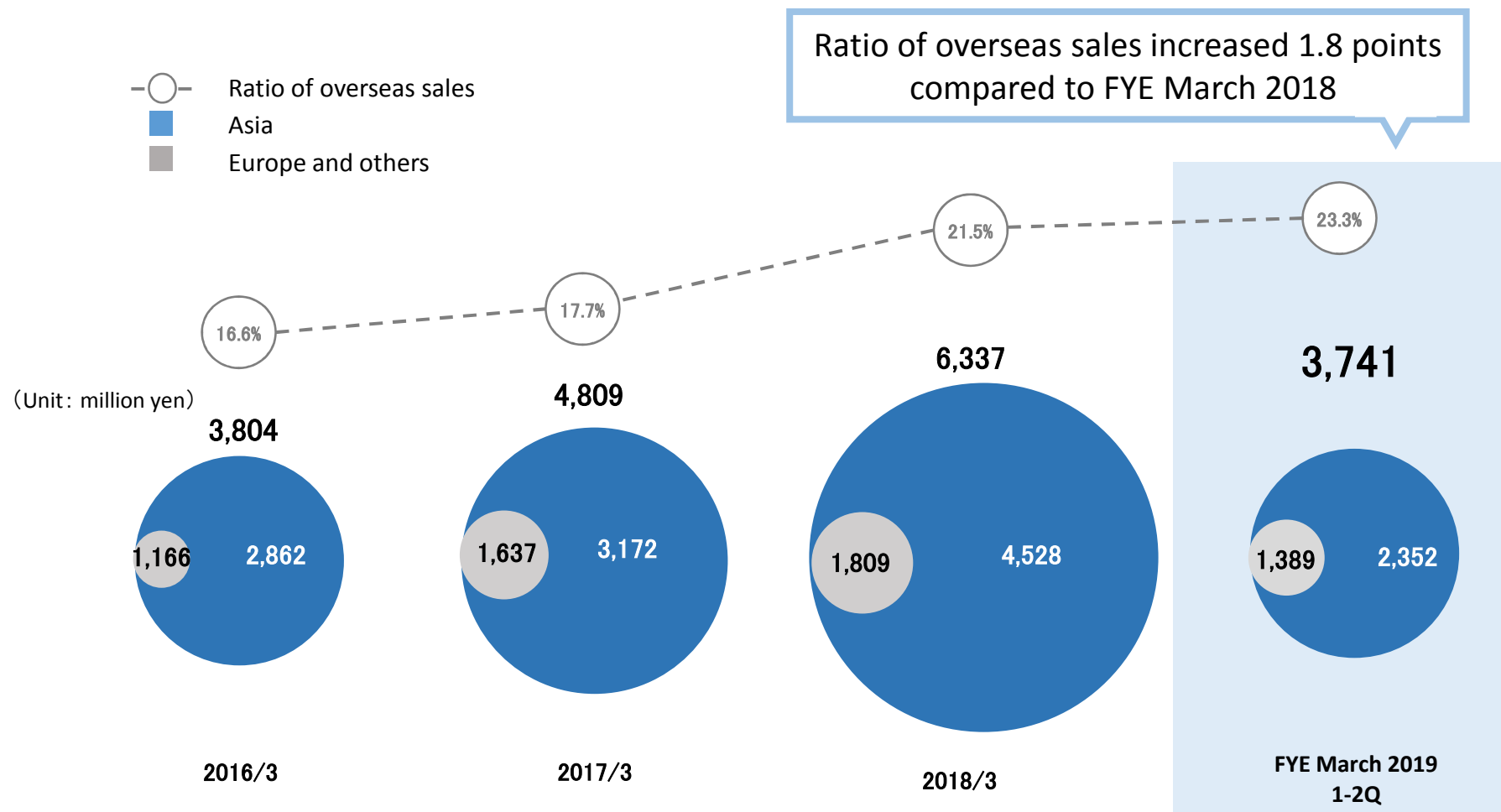
Nuclear power remained sluggish.

Public demand



Seal products remained sluggish.

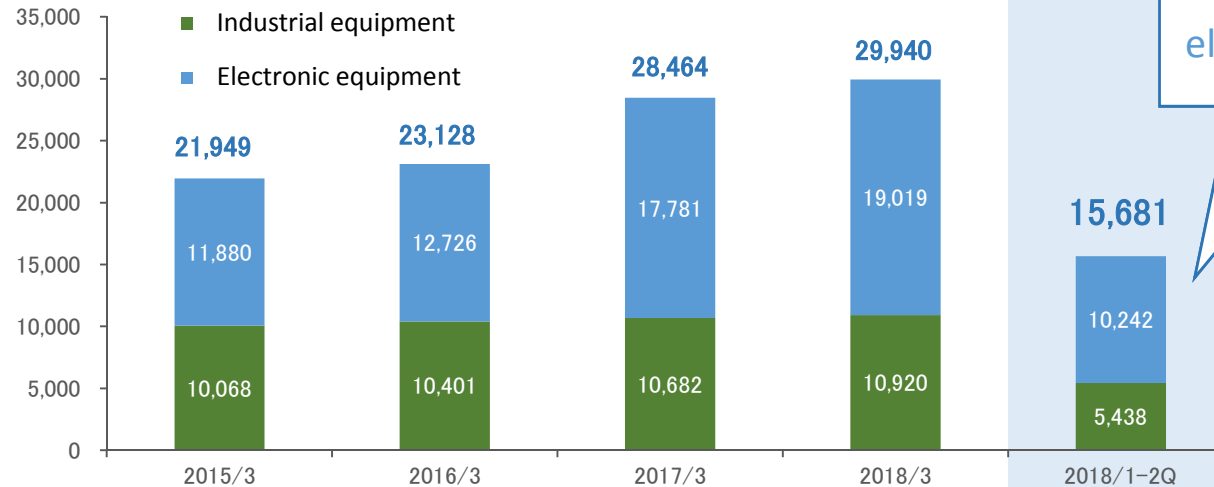
Sales by Region



Change in Orders Received and Order Backlog

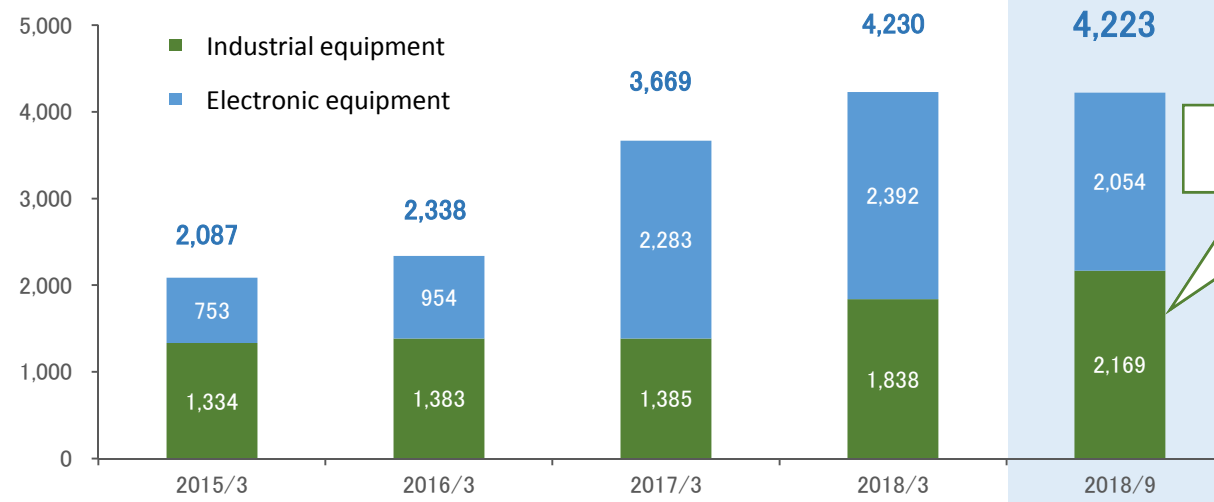
Orders received

(Unit: million yen)



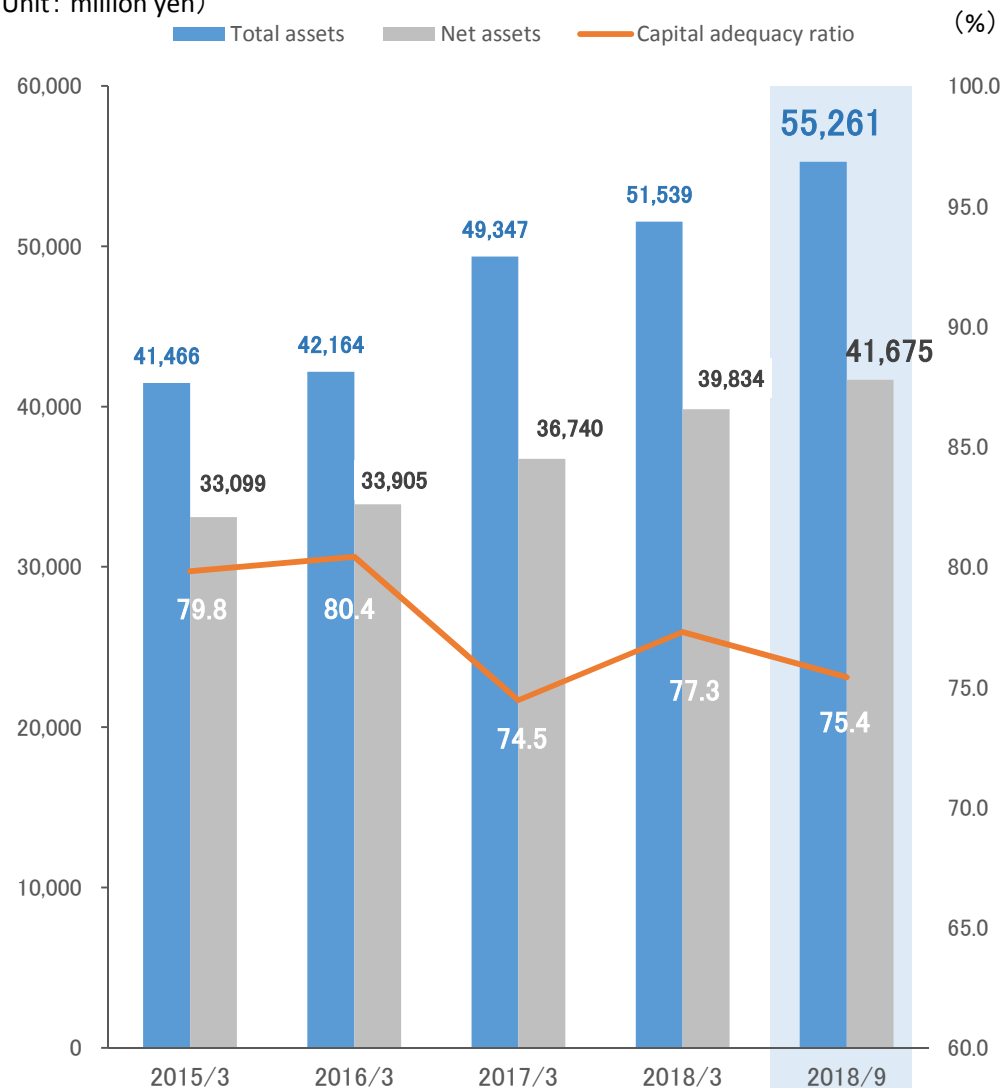
Order backlog

(Unit: million yen)



Financial Status (As of September 30, 2018)

(Unit: million yen)



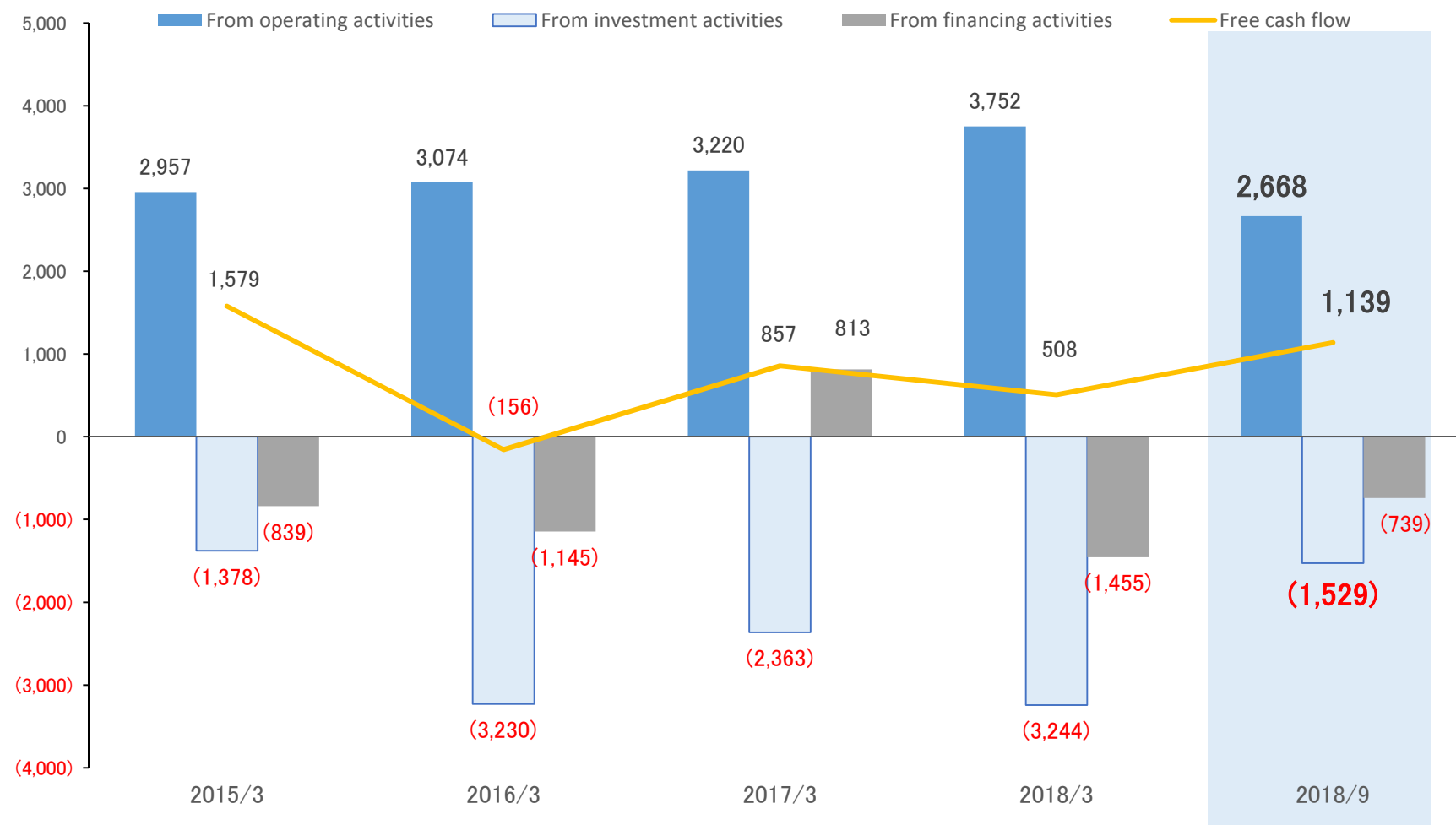
Points

- Tangible fixed assets increased about 3,500 million yen due to renewal of Sanda Factory.
- Interest-bearing debt decreased about 270 million yen.
- Quarterly net income attributable to owners of parent increased about 1,850 million yen.
- Capital adequacy ratio was 75.4%

*We have applied the "partial amendments of "accounting standard pertaining to tax effect accounting"", etc. to our accounting since the beginning of the 1st quarter consolidated account period in FYE March 2019. Therefore, the figures after the accounting standard, etc. were retrospectively applied are described as the results in the previous consolidated account period (FYE March 2018).

Cash flow

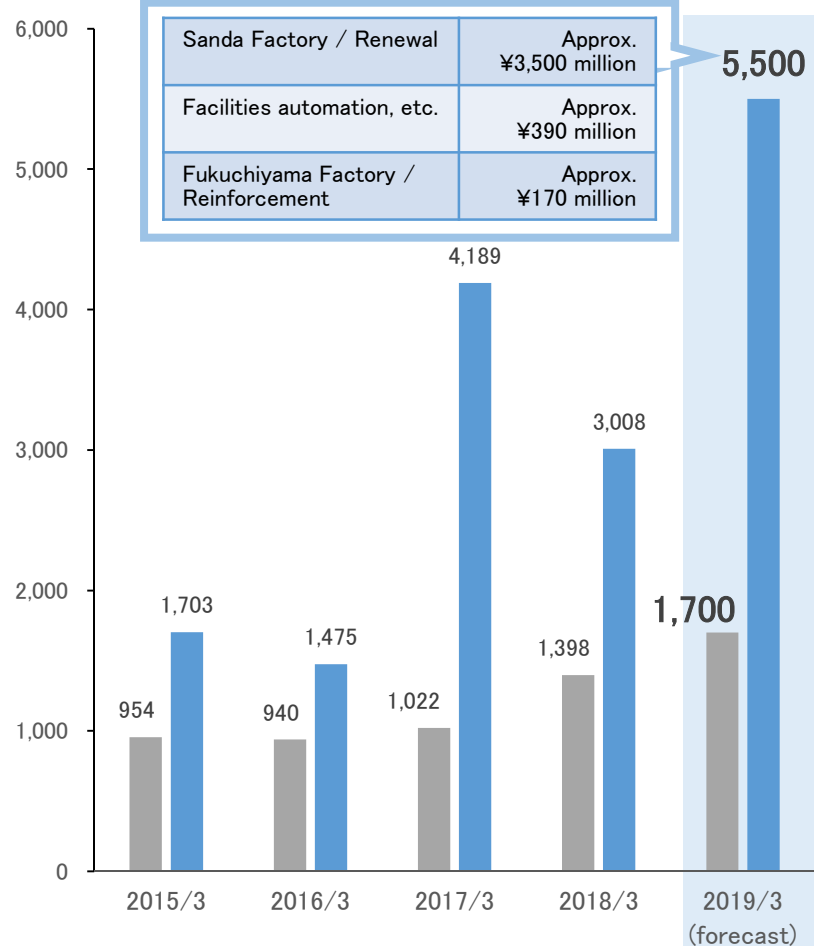
(Unit: million yen)



Capital Investment and Depreciation Cost / R&D

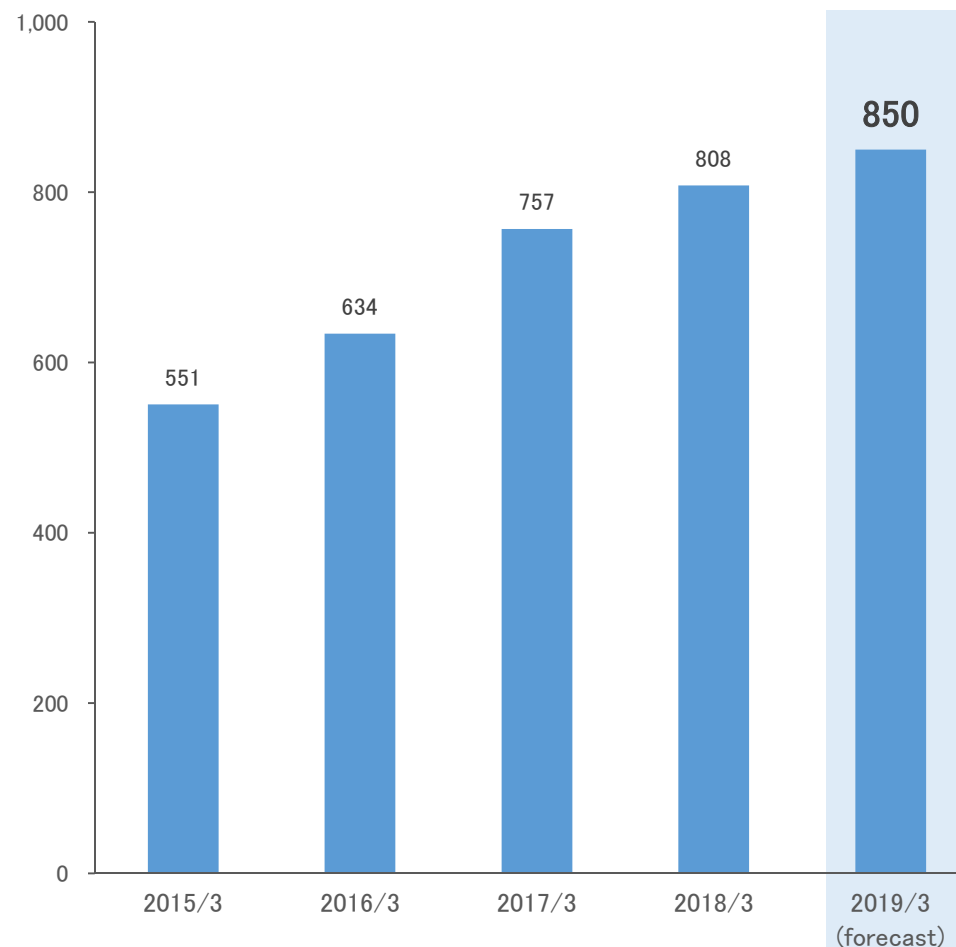
Capital Investment and Depreciation Cost

(Unit: million yen) ■ Depreciation cost ■ Capital investment



Research & Development

(Unit: million yen)

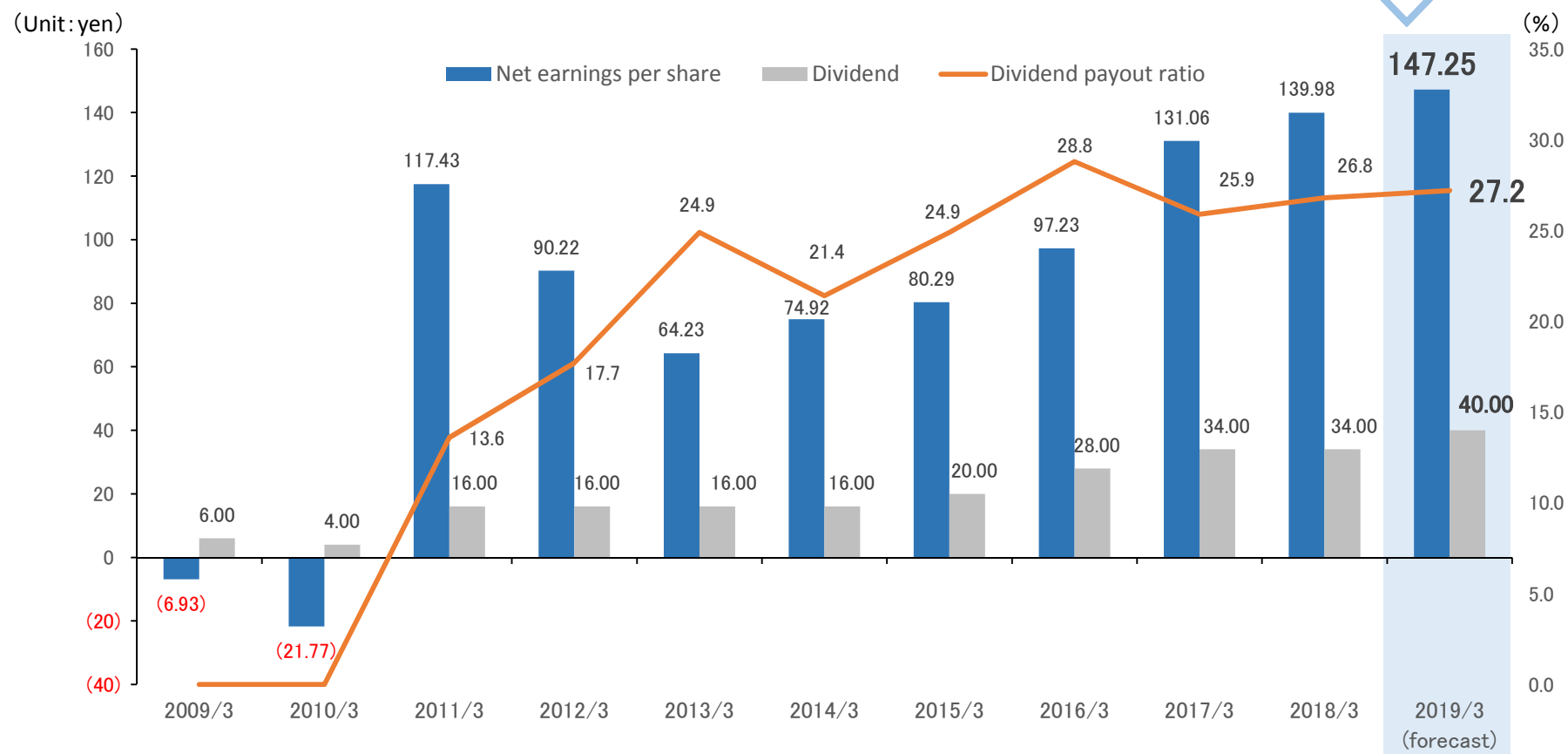




Net earnings per share , Dividend/Pay out ratio and Dividend policy

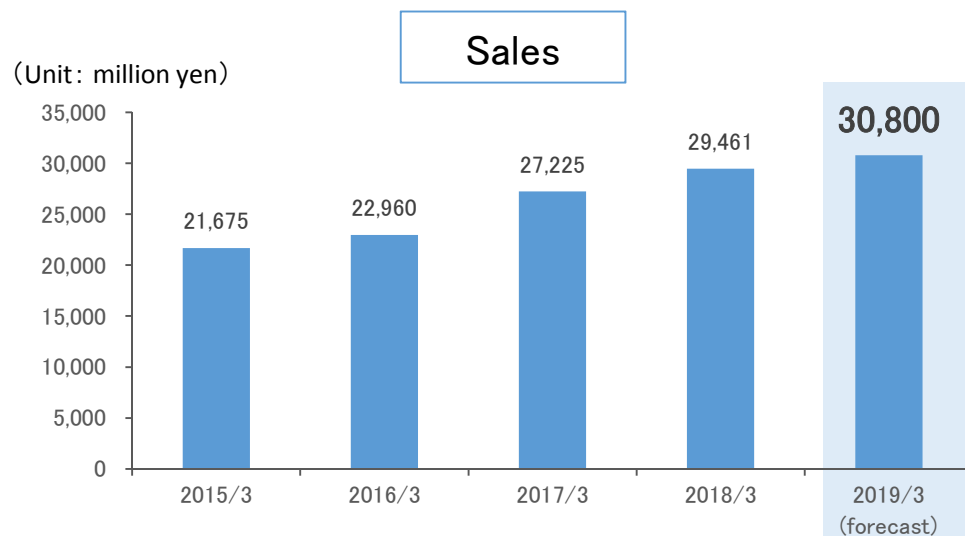
Dividend policy

We consider the return of profits to shareholders as one of the important management issues. Our basic policy is that we will stably and continually pay dividends to shareholders and improve the dividend scale.

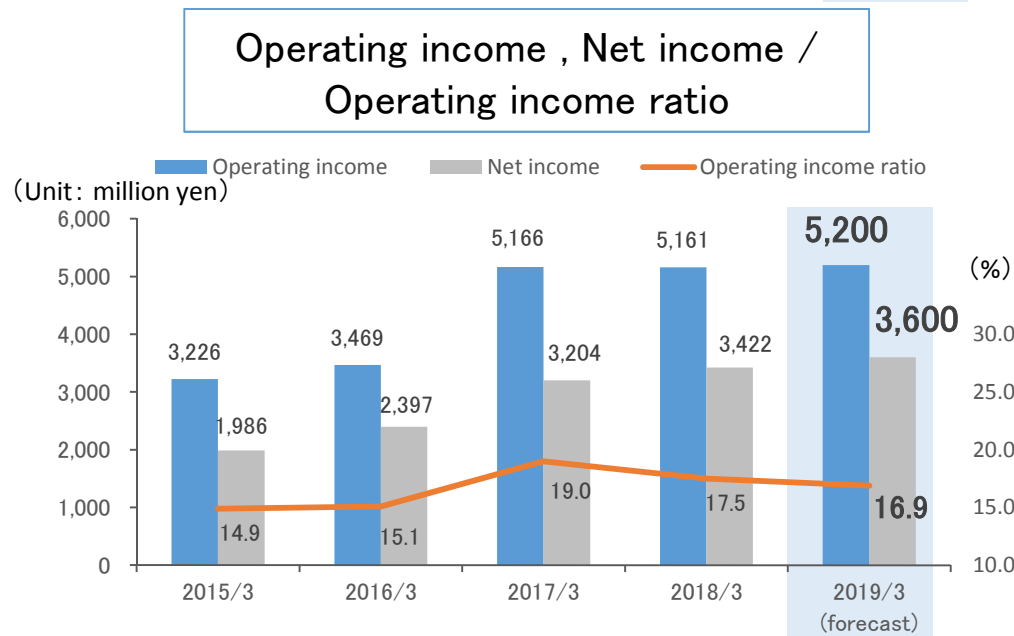




Outlook of Financial Results for the Fiscal Year Ending March 2019



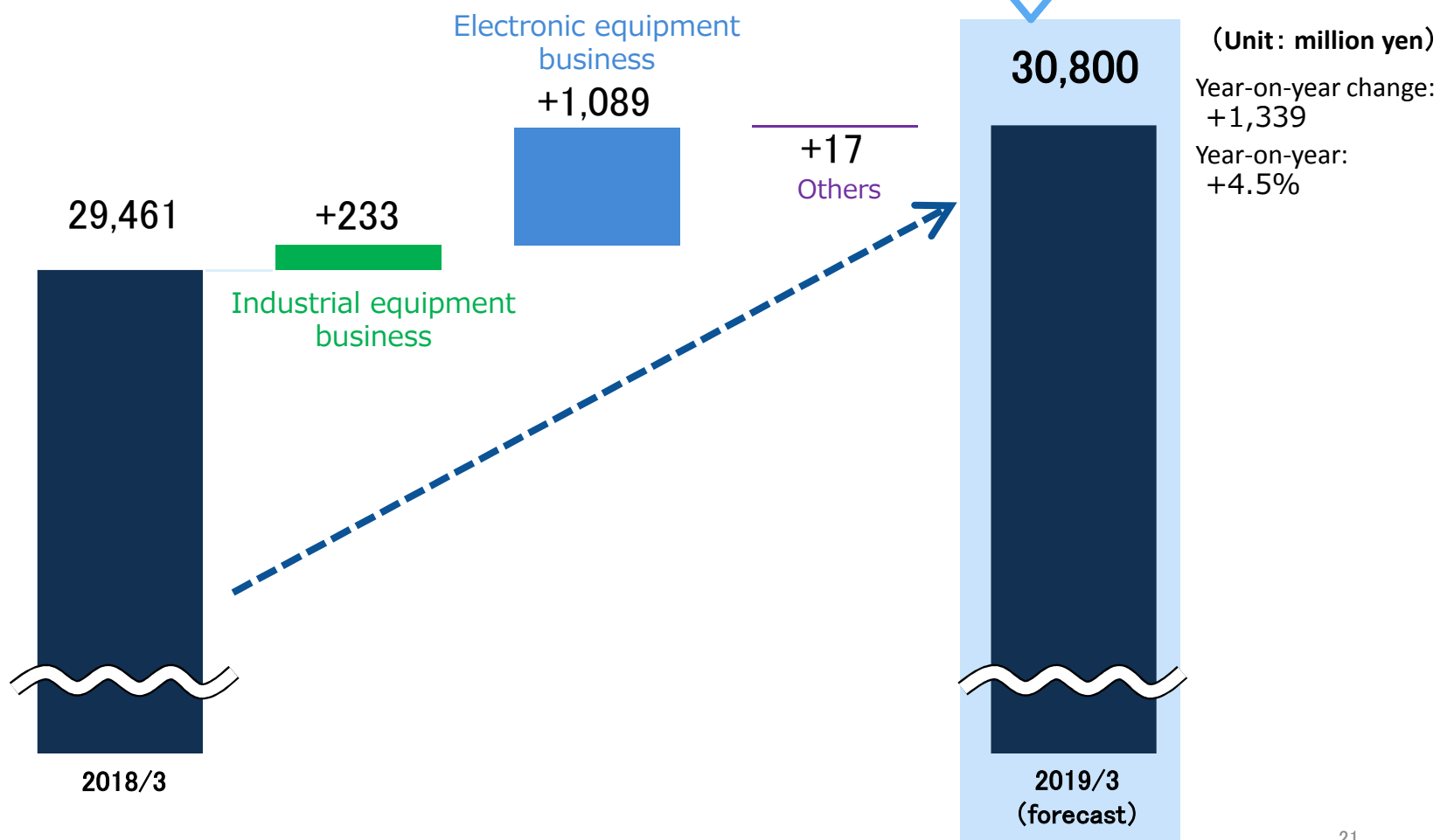
- There is no change of financial results forecasts for FYE March 2019.
- Sales remained strong due to demand for repair products despite severe state in Japanese markets of the industrial equipment industry.
- There are concerns over the risk of U.S.-China trade friction despite a boom in semiconductor markets.



- Profits decreased due to increased costs including depreciation costs related to renewal of Sanda Factory.
- Profits as good as the previous year will be secured due to cost reducing activities and review of various expenses.

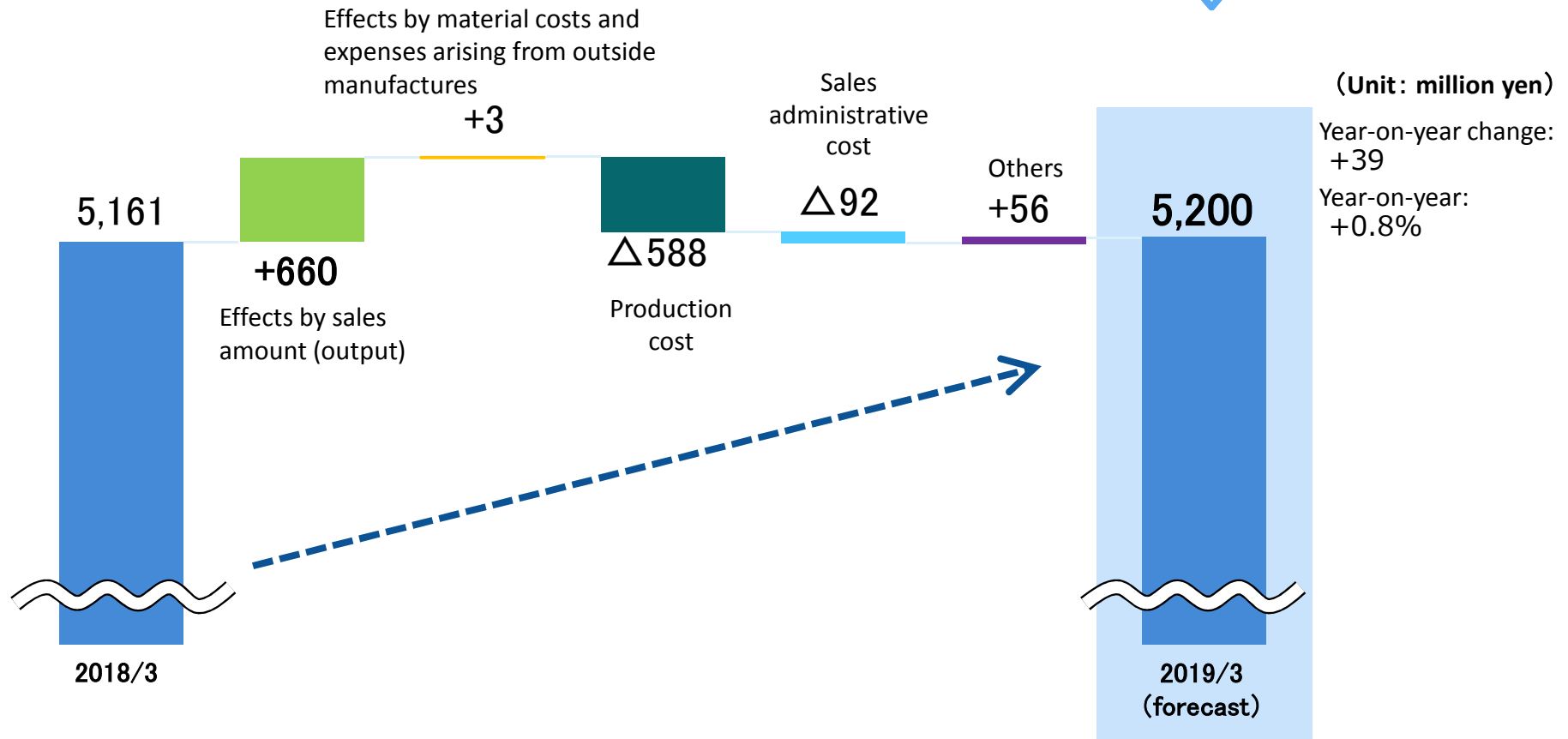
Outlook of Increases and Decreases in Sales

The figures made public will remain the same considering uncertain conditions such as delay in semiconductor-related capital investment and trade friction between the U.S. and China.



Outlook of Increases and Decreases in Operating Income

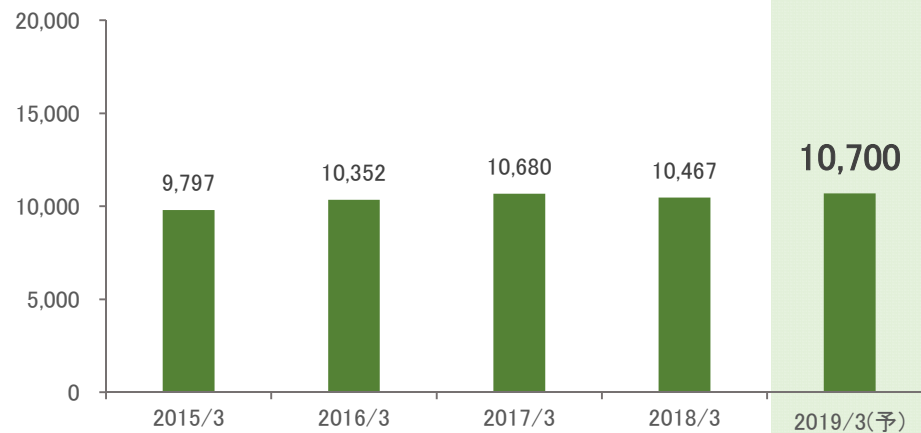
The figures made public will remain the same considering uncertain conditions such as delay in semiconductor-related capital investment and trade friction between the U.S. and China.



Outlook of Industrial Equipment Business

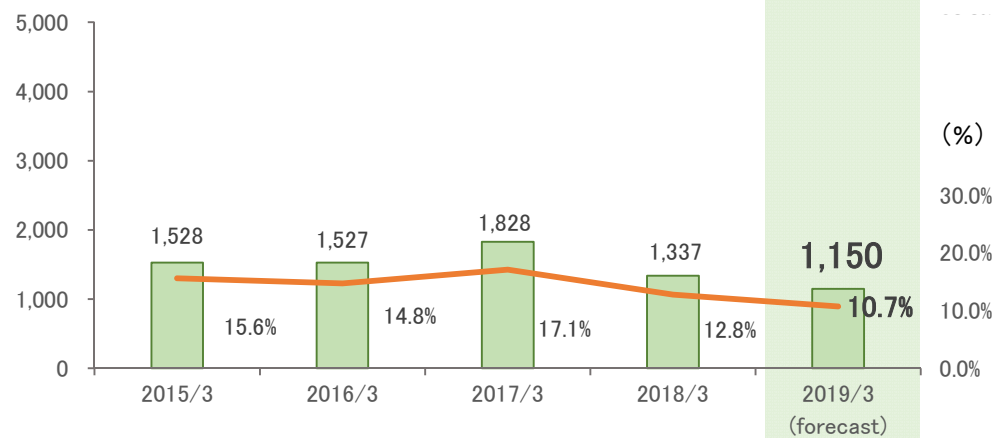
Sales

(Unit: million yen)



Operating income/ Operating income ratio

(Unit: million yen)

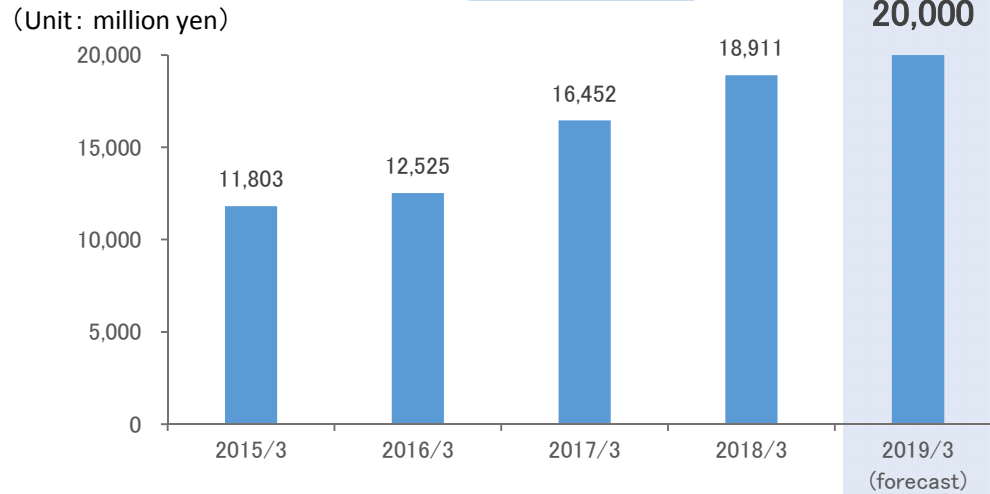


Points

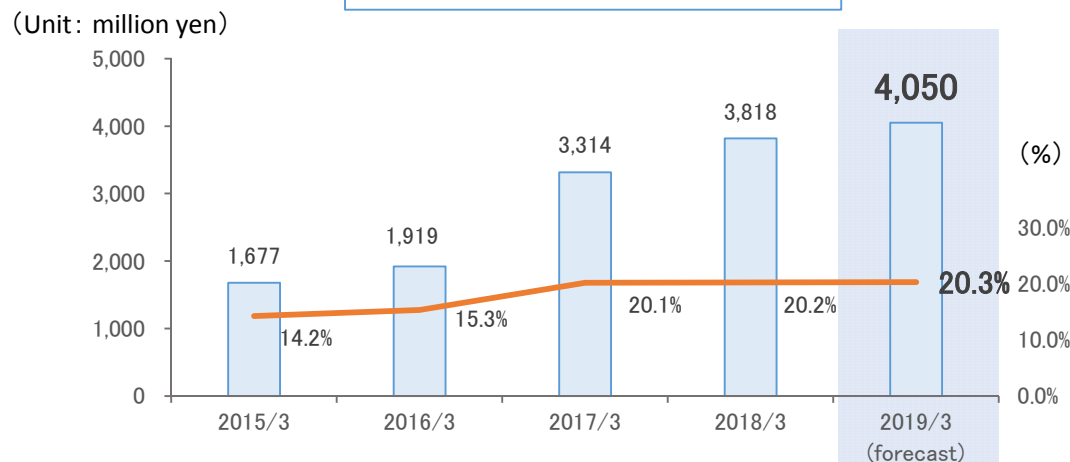
- Sales will increase but income will decrease.
- Sales will increase due to increased sales for products for CMP.
- Income will decrease due to increased temporary expenditure including relocation costs for renewal of Sanda Factory.
- Severe conditions will continue in the energy market in Japan centering on the electric power industry due to fewer new capital investment.
- Sales of repair goods will remain strong.
- Inquiries for overseas plant projects will increase due to high crude oil prices.

Outlook of Electronic Equipment Business

Sales



Operating income/
Operating income ratio



Points

- Both sales and income will increase.
- Sales will increase due to strong semiconductor market despite sluggishness in 2Q.
- Income will increase despite increased depreciation costs resulting from establishing the system for increasing production capacity.
- There will be concerns over the risk of U.S.-China trade friction.



2. Management Plan and Progress



Overall Image (Basic Policies) of the Medium-term Management Plan "BTvision19"

We have implemented the three-year medium-term management plan "BTvision19 (breakthrough vision 19) since FY2017.

BTvision19

~ Contribute to resources saving and safe and clean global community ~

Basic policies

Strengthening the corporate competitiveness

By promoting the initiatives for productivity improvement and making effective capital investment, we will build strong management bases that can create more profits and further strengthen our corporate competitiveness.

Promoting global business

To cope with the globalization of markets, we will promote global business through the "creation of sales network", "expansion of manufacturing bases" and "human resources development".

Creating new business

By placing importance on the key word "new", which is included in such concepts as "new product", "new market", and "new application", we will make aggressive efforts for creating new business with high novelty in order to build the third pillar that can follow our industrial equipment business and electronic equipment business.

Developing human resources

By focusing on education on globalization, we will develop human resources who can demonstrate the leadership to contribute to continual growth of business pillars with broad range of perspectives and knowledge.

"BTvision19" - Targets and Results

Since we were certain to achieve the original targets at the final third fiscal year, we revised the targets upward in May 2018. We aim to achieve continual growth by surely implementing the initiatives we can take for these three years.

(Unit: million yen)

	FY 2017		FY 2018			FY 2019			
	<Budget>	<Results>	<Forecast>	Year-on-year change	Increase-decrease rate (%)	<Original Plan>	<Corrected Plan>	Year-on-year change	Increase-decrease rate (%)
Sales	28,300	29,461	30,800	1,339	4.5	30,000	32,500	1,700	5.5
Operating income	4,700	5,161	5,200	39	0.8	5,500	5,800	600	11.5
Net income	3,100	3,422	3,600	178	5.2	3,800	3,800	200	5.6
ROE(%)	8.0% or More	8.9%	8.0% or more	—	—	8.0% or More	8.0% or more	—	—

"BT Vision19" - Progress of the Initiatives

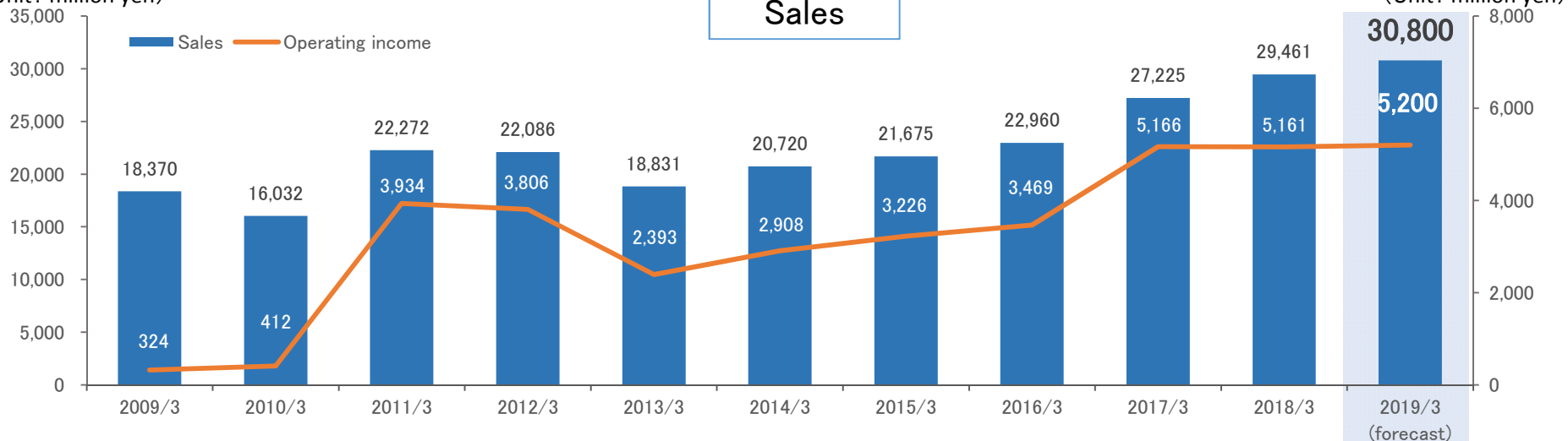
Basic policies	Growth strategy	Progress and outlook
Strengthening the corporate competitiveness	By promoting the initiatives for productivity improvement and making effective capital investment, we will build strong management bases that can create more profits and further strengthen our corporate competitiveness.	<ul style="list-style-type: none"> • Industrial equipment <ul style="list-style-type: none"> ✓ The first period of Sanda Factory renewal work was completed and the operation started. ✓ Renewal will be complete in March 2020. • Electronic equipment <ul style="list-style-type: none"> ✓ The system for increasing production capacity in Fukuchiyama Factory and Kyushu Factory were completed. ✓ Production capacity increased by 30%.
Promoting global business	To cope with the globalization of markets, we will promote global business through the "creation of sales network", "expansion of manufacturing bases" and "human resources development".	<ul style="list-style-type: none"> • Nippon Pillar Europe was established in Germany as the first base in Europe. <ul style="list-style-type: none"> ✓ Strengthened sales and technical support. • Overseas sales ratio improved. <ul style="list-style-type: none"> ✓ 23.3% (up 1.8 points as compared with the end of FYE March 2018)
Creating new business	By placing importance on the key word "new", which is included in such concepts as "new product", "new market", and "new application", we will make aggressive efforts for creating new business with high novelty in order to build the third pillar that can follow our industrial equipment business and electronic equipment business.	
Developing human resources	By focusing on education on globalization, we will develop human resources who can demonstrate the leadership to contribute to continual growth of business pillars with broad range of perspectives and knowledge.	<ul style="list-style-type: none"> • Domestic <ul style="list-style-type: none"> ✓ Language training (English conversation, technical English for manufacturing) ✓ Study on establishing a trainee system. • Overseas <ul style="list-style-type: none"> ✓ Develop managers for local human resources.



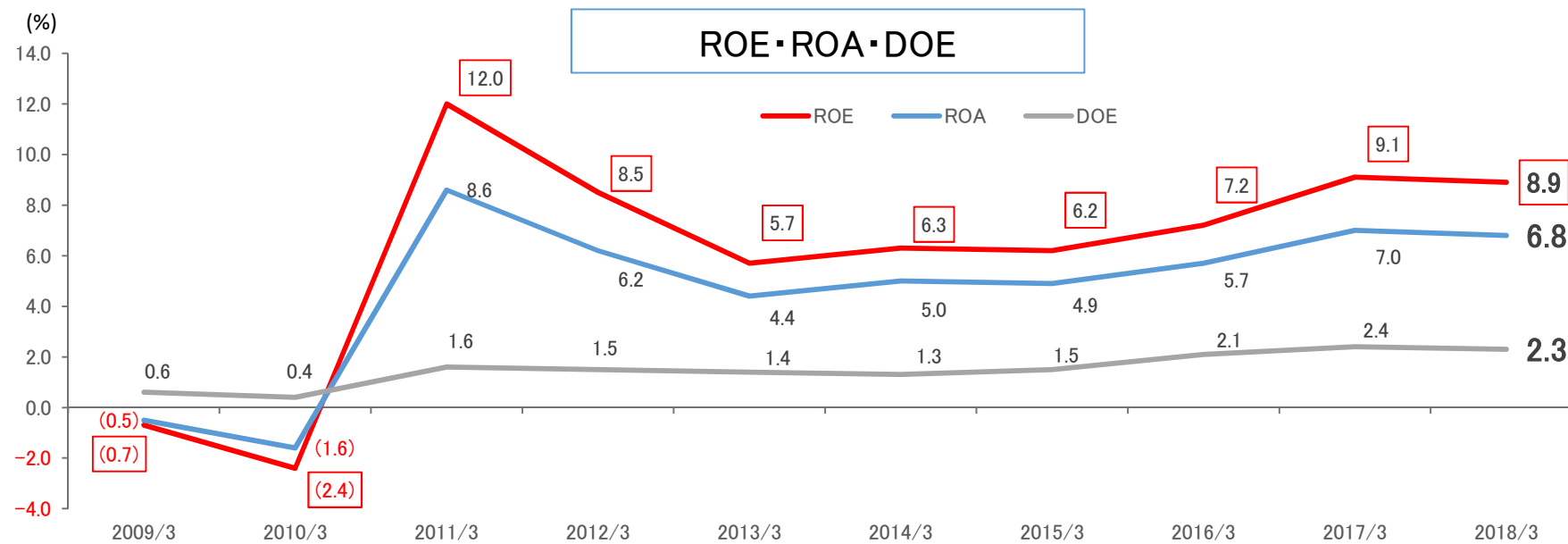
(Reference Materials)

Long-term Trends of Main Indexes






















(Unit: million yen)



(%)

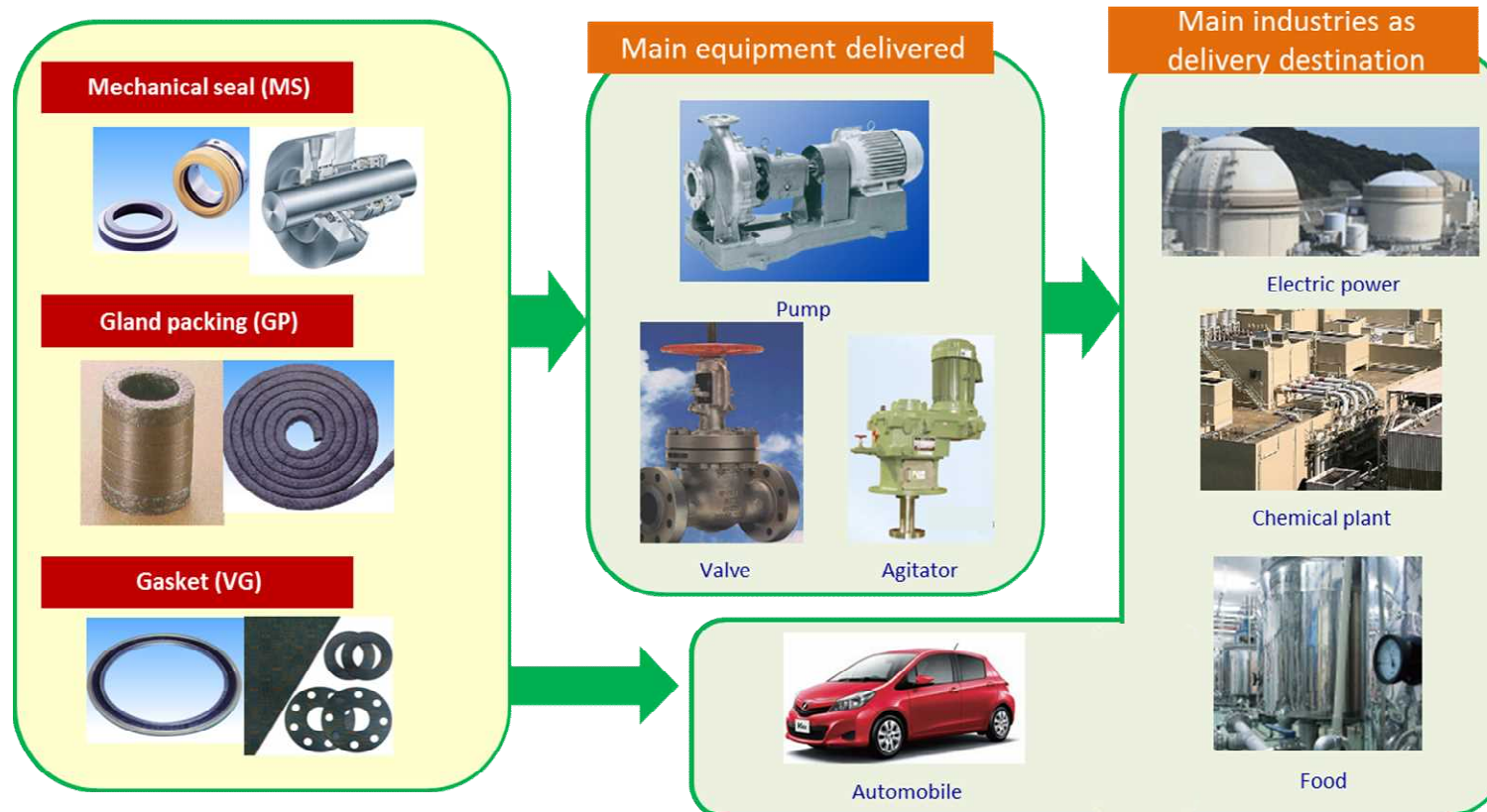


Outlook of Business Environment

Industry	July to September		October to December	Economic forecast
Industrial machinery and machine tools				External demand will decrease from the previous year and the growth in demand will level off. Sales for China will decrease from the previous year for six months in a row and orders will further decrease if the effects of trade friction intensify.
Electronic parts and semiconductor				Demand for processors and memories used for smartphones, vehicles and datacenter will increase. Meanwhile, the technical hurdle for miniaturization increases and investment will be postponed.
Electric power				Fuel prices such as coal are increasing reflecting rising crude oil prices. Also, there are concerns over the effects of power outage and damage of facilities caused by disaster on business performance. Restart of nuclear plants will be delayed.
Automobile				Sales in the Japanese and U.S. market will be sluggish. Sales in Asia will increase due to active demand in the Southeast Asian market. However, sales will slow down in China, the largest market. Business confidence may deteriorate against the background of the US-China trade war.
Plants and shipbuilding				Development of oil and gas fields will continue due to rising crude oil prices. Some movements indicate a recovery of demand for plants such as Japanese plant company's receiving the order for constructing one of the largest shale gas-related plant in the U.S. Japanese shipbuilding companies received orders for three super large tankers.
Chemical				Although a boom in semiconductor production will continue in China, cautiousness against rising crude oil prices will prevail due to decreased supply of crude oil produced in Iran. The complicated supply chain makes the assessment of the effects of U.S.-China trade friction difficult.
Construction				Construction orders in Japan are supported by willingness to invest in manufacturing factories. In the Tokyo metropolitan area, plans for redeveloping office buildings will remain at a high level. Demand for construction related to Tokyo Olympic Games is high, but the order unit price will remain high due to a shortage of human resources.

*Source: Industries related to our company were extracted from the "Weather map of 30 main business categories (Industrial economic forecast from October to December)" of Nihon Keizai Shimbun (October 3, 2018).

Main Products and Delivery Destinations (Industrial Equipment Business)



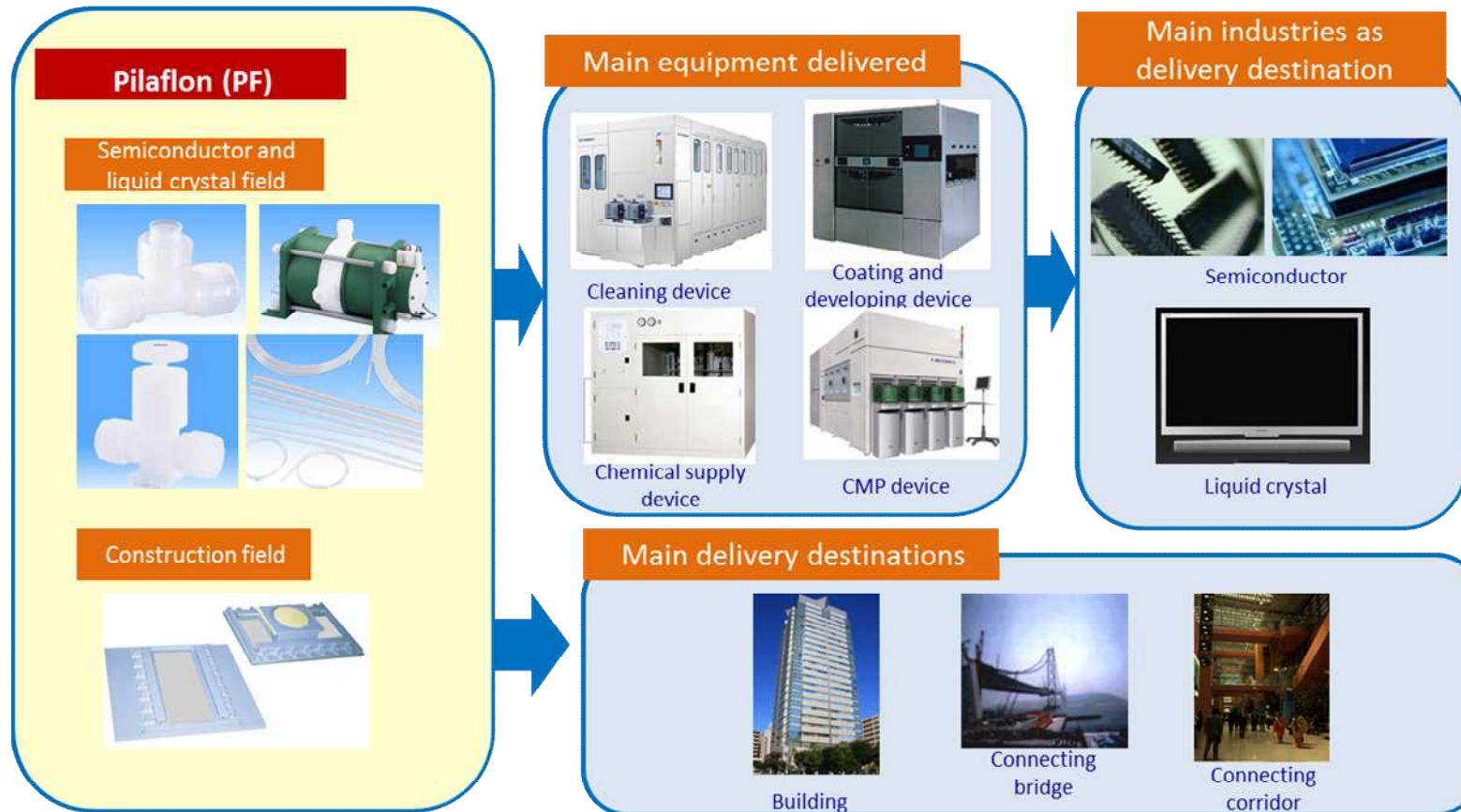
Mechanical seals and gland packings

✓ These devices prevent leak of fluid in extreme conditions of high temperature and high pressure and are used for pumps and valves in oil refining and chemical plants.

Gaskets

✓ These parts prevent leak of fluid from connection between pipes and are used for automobile exhaust system.

Main Products and Delivery Destinations (Electronic Equipment Business)



Product group making use of properties of fluororesin, "chemical resistance" · "heat resistance" · "low friction"

✓Pipe fittings and tubes made by fluorine resin are not affected by diversified chemical liquid. Therefore, they are used for cleaning devices for silicon wafers that become the base of semiconductor.

✓With their low frictional properties, Pilaflon products are used for seismic isolation devices that prevent shaking of buildings caused by earthquake.



Corporate Motto and Management Philosophy

Corporate Motto

- Quality first
- Through cooperation and harmony
 - Continuation of research

Management Philosophy

1. We contribute to creating livable Earth and rich social environment.
2. We aim to become an irreplaceable company for customers by providing creative high-quality products.
3. We conduct fair and sound business activities in compliance with the law and social norms.

Origin of Our Company Name & Company Profile

Origin of our company name



This naming is derived from the fact that at the time of founding, "Pillar Packing No.1" developed as seal product for preventing steam leak from ships was pillar-shaped.

Established in	1924
President	Kiyohisa Iwanami, CEO
Stock Exchange Listing	First Section, Tokyo Stock Exchange (Securities code: 6490)
Capital	¥ 4,966 million
Description of Business	Manufacture and sales of equipment products related to fluid control
Number of Employees	764 (Consolidated: As of March 31, 2018)
Sales	¥ 29,461 million (Consolidated: FYE March 2018)



Leading in the Total Sealing Technology ... and Responding to the Future Needs.

NIPPON PILLAR PACKING CO., LTD.

(Contact)

Corporate Planning Department

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TEL: 06-7166-8412

FAX: 06-7166-8510

- This material includes descriptions about future business performance. These descriptions do not guarantee the future business performance and contain elements of risk and uncertainty.
- Please note that the future business performance may largely differ from the contents described in this presentation material due to economic information of main markets, change of product demand, effects of exchange rates, various regulations in Japan and overseas, and change of accounting standards and practices.
- This material is prepared for the purpose of offering the information and is not intended to induce any actions.