

Industrial Equipment Business

Promoting the Shift to Carbon-neutral Markets and Maximizing Synergies with TANKEN SEAL SEIKO

By utilizing our existing products and products under development, we intend to enter the carbon-neutral product market characterized by hydrogen, EVs, and next-generation batteries.

We are also committed to strengthening our competitiveness through synergies with TANKEN SEAL SEIKO CO., LTD., which joined the Group in fiscal 2023.



Managing Executive Officer
General Manager of Sales Headquarters

Toyokazu Serita

Business Overview

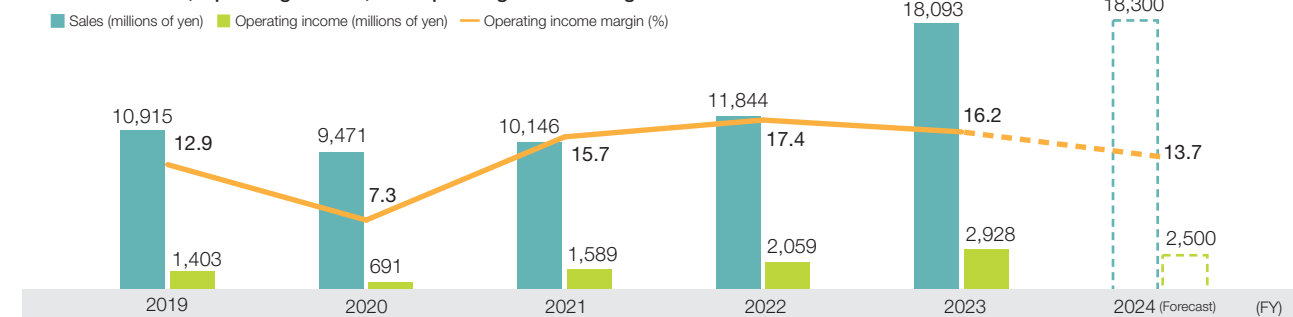
The main products that support our Industrial Equipment Business are mechanical seals, gland packings, and gaskets. These sealing components control various fluids in equipment used in plants across a wide range of industries. These plants are engaged in energy production, oil refining, chemical processing, automaking, marine vessels, the environment, water supply and sewage facilities, medical care, and food processing.

In fiscal 2023, we increased our revenue and profits, with both sales and operating income reaching consecutive record highs.

Although sales were sluggish for mechanical seals used in precision machinery, sales increased 52.8% year-on-year to 18,093 million yen due to demand for repair parts at plants outside Japan, projects related to the restart of Japan's nuclear power plants, and capital investment in safety measures in the petrochemical market.

Operating income increased 42.2% year-on-year to 2,928 million yen due to the better-than-expected performance of TANKEN SEAL SEIKO, which joined the Group in April 2023.

Trends in Sales, Operating Income, and Operating Income Margin



Progress, Challenges, and Initiatives of Medium-Term Management Plan One2025

① Strengthening the foundation for further improving our competitiveness

We are steadily reducing cycle times and costs by incorporating automation into production and shortening development lead times using artificial intelligence and by implementing digital transformation.

In addition, now that TANKEN SEAL SEIKO has joined our Group, we have been able to strengthen our after-sales support, particularly in the area of repairs and spare parts. We aim to further

expand our business while providing solutions to growing needs by improving maintenance skills and incorporating peripheral services.

② Strengthening existing markets and products

In the mechanical seal market, we are focusing on the semiconductor segment. We see this as a growth market, as we foresee the need for new functional parts in response to the demand for higher levels of cleanliness in rotary joints for chemical mechanical polishing (CMP) equipment used in high-performance chip applications, such as AI, and in the field of advanced packaging.

In the gland packing market, we aim to further expand sales by focusing on products with high sealing performance that meet European and North American standards. We will also launch new products that incorporate innovative high-performance materials that are friendly to the environment as well.

③ Developing new businesses

The R&D Center at the Sanda Factory was completed in October 2023. In addition to promoting the reciprocal adoption of

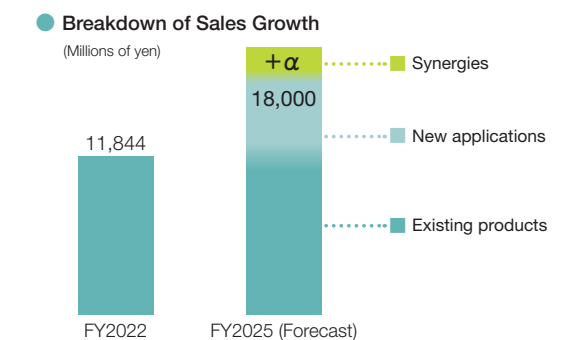
technologies by consolidating previously fragmented product development functions, we will accelerate and strengthen product development and R&D through initiatives on advanced technologies. We will achieve this through collaboration among industry, government, and academia.

By combining PILLAR's technological expertise with that of TANKEN SEAL SEIKO, we are developing unique products noted for offering a strong competitive advantage in the marketplace.

	Results for the Fiscal Year Ended March 31, 2024	Future Action Plan
Strengthening the foundation for further improving our competitiveness	<ul style="list-style-type: none"> Expanded the scale of our business by acquiring TANKEN SEAL SEIKO CO., LTD. Completed construction of the R&D Center at the Sanda Factory to gather the expertise of engineers. Introduced an initiative to reduce manufacturing costs through automation and labor-saving, including a review of production processes. 	<ul style="list-style-type: none"> To maximize synergies with TANKEN SEAL SEIKO through cross-selling, bulk material purchases, and other initiatives To accelerate product development by using artificial intelligence and implementing digital transformation To further reform and streamline production processes by introducing automated equipment and systems
Strengthening existing markets and products	<ul style="list-style-type: none"> Developed prototype rotary joints for the semiconductor market at Pillar Technology (Chuzhou) Co., Ltd. Developed IoT devices for monitoring the status of mechanical seals. Developed and introduced environmental contribution products. 	<ul style="list-style-type: none"> To establish a rotary joint production system at Pillar Technology (Chuzhou) Co., Ltd. To strengthen sales activities through collaboration with TANKEN SEAL SEIKO, including integration of business locations To strengthen our global sales capabilities and expand our presence
Developing new businesses	<ul style="list-style-type: none"> Undertook market research and promoted development of products related to hydrogen, EVs, and next-generation batteries. The R&D Center at the Sanda Factory developed an improved sealing technology to support a society committed to decarbonization. Launched new maintenance contract services to retain customers. 	<ul style="list-style-type: none"> To accelerate development of products for the hydrogen market by introducing testing equipment for a liquid hydrogen environment To strengthen sales promotion in preparation for entry into new markets such as sustainable aviation fuel (SAF) To develop and introduce EV parts using injection molding technology refined in our Electronic Equipment Business

Outlook and Prospects

In terms of decarbonization initiatives, we are making significant capital expenditures on a commercial basis that are intended to reduce environmental impacts while utilizing existing infrastructure. These efforts include the adoption of sustainable aviation fuel and the use of ammonia co-firing at power plants. At the same time, investments are progressing on a demonstration basis in the application of hydrogen and next-generation battery development. We will continue to focus on these growth areas for our Industrial Equipment Business.



TOPIC

Track Record of Adoption in New Markets and New Applications

Our mechanical seals have been adopted in projects outside Japan that utilize sustainable aviation fuel, which is attracting attention as an innovative solution with environmental benefits. Our mechanical seals have been incorporated into pumps manufactured by a Japanese pump manufacturer and are scheduled to begin commercial operation at the end of 2024. In addition, we are building on the success of this project by continuing our sales activities in five projects both inside Japan and elsewhere.

In the advanced semiconductor market, which is a new area of application for us, our mechanical seals have been adopted in a manufacturing plant for packaging materials. In the field of advanced semiconductors, which are used mainly for AI applications, technological innovation in back-end processes such as lamination and chiplets is progressing rapidly. In March 2024, we delivered mechanical seals to a major semiconductor material maker via a Japanese equipment manufacturer.