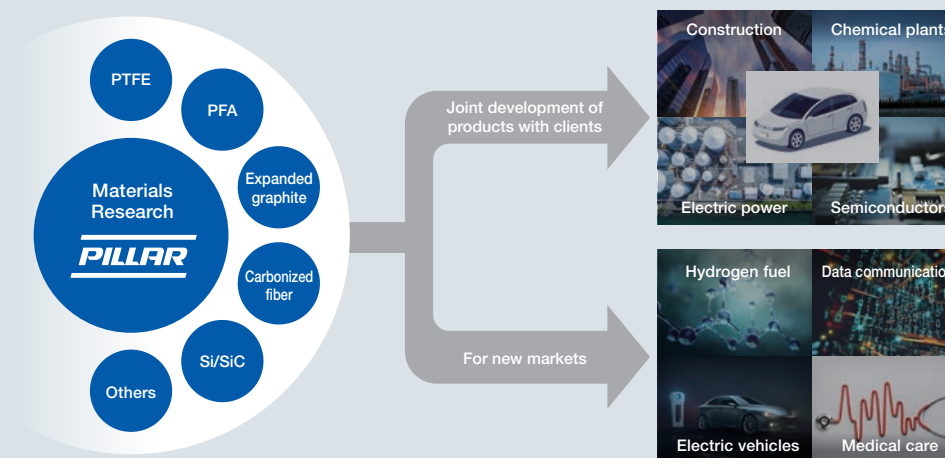




“We will continue transforming and growing for the next 100 years based on our new company name and core values.”

President

Y. Inauchi



PILLAR's Competitive Advantages and Growing Potential

Across our 100-year history, we have developed technologies, products, services, and production techniques that have allowed our products to serve a wide range of markets. In recent years we have been expanding into global markets, providing fluid control solutions and more in diverse fields and in several countries.

We have built a solid track record and a good reputation for technologies that protect workers and equipment by controlling leaks from equipment and preventing the leakage of hazardous fluids. By consistently delivering the technologies, products, and services our customers need, we have developed a competitive edge unique to PILLAR that creates significant barriers to entry, supporting high profit margins and strong earnings.

The Group has **three major competitive advantages**.^{*3}

The first is the extensive network we have cultivated over our 100-year history that provides access to a wide range of information. That information is vital in allowing us to quickly detect changes in markets and establish future-focused themes for technology development and strategic planning.

Our second advantage is that we possess key elemental technologies such as materials technology, which we can apply to a wide range of products. Having expertise in upstream materials technology gives us the capability of developing new applications for a broad range of new markets.

The third competitive advantage is our accumulated in-house knowledge due to our persistent dedication to technology development. Our R&D teams are driven by a strong commitment and resolve to create benefits for the future. My management team and I have the confidence to let development teams work autonomously, simply communicating our values. This approach fosters flexible thinking and leads to the more rapid development of technology, a clear strength of ours.

This is especially important in fast-changing markets, such as semiconductors and other products with a global market. Any drop in the pace of development can lead to opportunity loss, and in some cases, market share can never be recovered. Our decision-making is guided by two principles—not just keeping pace with but staying ahead of market changes, and maximizing returns by minimizing missed opportunities.

Progress Toward Targets in Our Medium-Term Management Plan, One2025

Fiscal 2023 marked the launch of our **three-year medium-term management plan, One2025**.^{*4} At the start of the fiscal year, we anticipated higher revenue but lower profits due to rising raw material costs. However, by refining our course of action as the year progressed, we achieved significant increases in both revenue and profits, demonstrating hidden reserves of strength. I anticipate that the business environment will be more challenging in fiscal 2024, so we have projections for higher revenue but lower profits, but we hope to achieve results that exceed our forecasts by further refining our course corrections.

Establishing a New Company Name and Core Values for the Coming Century

On July 1, 2024, we changed the company name from Nippon Pillar Packing Co., Ltd. to PILLAR Corporation. We also took the opportunity of this 100th anniversary year to update our company logo and redefine our management philosophy to set the stage for our next 100 years in business.

Regarding the company name change, we sat down to rethink it from scratch, considering our present position and the future ahead. We even considered removing “Pillar” from the name entirely. However, we decided to retain “Pillar” as an asset to carry forward and utilize into the next century, recognizing its significant brand value among customers in markets both domestic and international. Instead, we eliminated “Nippon” and “Packing” from our name, as our markets are becoming increasingly global and our business expands into domains that include post-delivery maintenance and modifications. The name “PILLAR Corporation” reflects our strong desire to offer solutions on a global scale.

In addition, we have formulated the **new PILLAR CORE VALUES**^{*1} to replace our long-standing management philosophy. Although the previous philosophy represented the Company’s aims at the time it was created, we felt that it no longer covered enough to propel us amidst great changes in the market environment and globalization.

It is also vital for every employee to fully grasp and internalize **our Motto—Quality First, Cooperation and Harmony, and Steady Research—and our Purpose—Creating a future that supports society—** based on the keywords of **Clean, Safety, and Frontier**.^{*2} They should also be guided in their actions by the PILLAR CORE VALUES and Group Code of Conduct. What matters most is that our values are reflected in the approach our employees take in offering new proposals to our customers and creating new value.

^{*1} **P2** “PILLAR CORE VALUES”

^{*2} **P2** “Motto” “Purpose”

^{*3} **P11-12** “The Strengths and Sources of PILLAR”

^{*4} **P23-24** “Overview and Progress of the Medium-Term Management Plan”



Message from the President

I will now explain four key initiatives we are focusing on to achieve the goals of One2025.

The first is to *create new business foundations*. As we reflect on our centennial anniversary, it is clear that the Company's longevity is based on carrying forward the core technologies the business has been built on, while flexibly shifting our business focus to adapt to changes in societal issues over time. To give an example, our mainstay resin products for the semiconductor market are the result of a technology shift—newly adapting the fluororesin originally used in gland packings and mechanical seals. To continue growing over the next 100 years, we will need to create new businesses through a similar application of our technologies to other fields and products.

The second initiative is to *strengthen our global competitive edge*. Although our global business is performing well, I believe that we need to make further forward progress, so I plan to aggressively pursue our overseas strategy, which has been stalled since the COVID-19 pandemic, to strengthen our global competitiveness for fiscal 2025. This will entail bolstering sales and production at our overseas locations. Also, the integration of TANKEN SEAL SEIKO CO., LTD.^{*5} into the Group in fiscal 2023 has made it possible to manufacture high-quality carbon in-house, and we believe there will be high demand for this carbon in the semiconductor and flat panel display (FPD) markets. The Group has an established presence in China, which is a major production hub for these industries, so the demand and strategic production will complement each other well and create synergies.

The third initiative is about cash allocation—deciding how to allocate cash between shareholder returns and growth investments to increase corporate value. This is where management's capabilities are tested. We closely monitor market trends and invest in areas that support further growth, which includes expanding production facilities and strengthening the supply chain to meet customers' needs while also investing in IT and digital transformation (DX).

Regarding shareholder returns, we are aiming for a payout ratio of 30% or more.^{*6} The key is to make the right choices when identifying where to allocate capital to further strengthen our competitive edge. We are always considering mergers and acquisitions (M&A) as part of this strategy.

The fourth initiative is **promoting human capital management**.^{*7} Although somewhat late in the game, in fiscal 2023 we appointed our first female general manager, and have been steadily increasing the number of foreign nationals in our workforce. We send employees to universities and graduate schools to serve as lecturers, along with researchers and engineers to engage in collaborative research. We are enhancing internal training programs and increasing the financial support provided to employees for gaining further qualifications, as we aim to build a system that encourages employees to actively shape their careers. To attract and retain top talent, we are exploring a shift to a personnel system that evaluates and rewards employees based on performance, regardless of age, gender, life experience, or nationality. We are also considering revamping our talent management system, focusing on designing and implementing initiatives

*5 [P33-34](#)
"Roundtable Discussion on TANKEN SEAL SEIKO"

*6 [P21-22](#)
"Message from the CFO"

*7 [P50-52](#)
"Human Capital (HR Strategy)"

"We aim to achieve sustainable growth by boosting our earning power and global competitiveness."



unique to our company that will maximize employee capabilities and motivation. As part of these efforts, we issued restricted stock (RS) to all employees on our 100th anniversary. While management often hears from investors, employees may not be aware of how the Company is perceived in the stock market. As the Company grows and the number of our stakeholders grows, we hope that by owning company stock, employees can better understand the Company's current status and position in the market, elevating their engagement as players in the Company's management.

Stronger Governance and Sustainable Management

We are **strengthening our governance**^{*8} as we prepare for the next 100 years. In fiscal 2023, the number of agenda items submitted for discussion at the Board of Directors meetings increased and our **outside directors**^{*9} provided active oversight based on their specialized knowledge and experience in business management at other companies. Discussion topics were broad-ranging, from how to achieve further business growth, manage environmental risk, and find ways to provide more opportunities for women. The meetings were filled with vigorous debate, giving rise to many insightful comments.

In terms of sustainable management, we are making good progress on **KPIs for materiality**^{*10} and these efforts will continue to address priority issues diligently. In the ESG/SDGs Promotion Committee that I chair, we report, discuss, and provide guidance on a wide range of policies that include human capital management, expanding **TCFD disclosures**^{*11}, CSR procurement, and reviews of our business continuity plan (BCP).

Our policy is to make continuous, step-by-step improvements from one year to the next. Whether carrying out internal reforms or responding to external evaluations, if we are to achieve further growth, we must not only pay attention to numbers and outcomes but also make sure that actual improvements are made to our processes. The role I have been given, as I see it, is to ensure that we resolve societal issues through our business, expand our positive impact on society, and lead the Company to significant growth.

I aim to engage actively in dialogue with investors, keeping in mind whether we are providing unique value as a company and how fast we are in the industry at developing and proposing solutions that clients demand in a rapidly changing world.

We will continue to transform as a company and remain essential to society as we accelerate our growth over the next 100 years. I aim to work with our employees, striding forward together, earning the trust of our stakeholders, and living up to expectations. Please give us at PILLAR your continued warm support.

*8 [P41-46](#)
"Corporate Governance"
*9 [P47-48](#)
"Message from the Outside Directors"

*10 [P27-28](#)
"SDGs Related to the PILLAR GROUP's Material Issues"
*11 [P57-58](#)
"Information Disclosure Based on the TCFD Recommendations"

Developing products to meet specific needs

