

# Corporate Governance

## Basic Approach

Customer satisfaction is the fundamental starting point for the Group's corporate activities, and earning the esteem and trust of our customers makes it possible to achieve sustained growth and profits. The Group recognizes corporate governance as an important task for management in realizing its basic policy of connecting this customer satisfaction to greater corporate value, and to the satisfaction of shareholders and other stakeholders. We believe it is also important to establish

management organizations and internal controls so that sound, highly transparent decision-making can be swiftly carried out.

Corporate governance fundamentally is not only compliance with laws and regulations but also consists of promoting business activities that respect corporate ethics, morality, and fairness and developing smooth, disciplined and cooperative relationships with all stakeholders.

## Governance Summary

Format of governance organization <b>Company with an Audit &amp; Supervisory Committee</b>	Advisory body to Board of Directors <b>Independent committees</b>	Number of directors (excluding directors who are Audit & Supervisory Committee members) <b>6 (including 2 outside directors)</b>
Number of directors who are Audit & Supervisory Committee members <b>3 (including 2 outside directors)</b>	Number of independent directors (including Audit & Supervisory Committee members) <b>4</b>	Number of Board of Directors meetings in fiscal 2023 <b>8</b>
Term of office for directors <b>1 year (excluding directors who are Audit &amp; Supervisory Committee members)</b>	Performance-linked remuneration <b>Provided</b>	Takeover defense measures <b>Implemented</b>

## Executive Skills Matrix

	Name	External	Corporate management	Production/Technological development	Sales/Marketing	Finance/Accounting	Legal affairs/Compliance	Environment/Sustainability
Directors	Kiyohisa Iwanami		●	●	●		●	●
	Yoshinobu Iwanami		●	●	●		●	●
	Ikuo Hoshikawa		●	●				●
	Katsuhiko Shukunami		●			●	●	●
	Yoshinori Suzuki	●	●		●	●		●
	Junichi Komamura	●	●		●			
Directors who are Audit & Supervisory Committee members	Tomonobu Yoshida			●			●	
	Kazumitsu Takaya	●				●		
	Kyoko Kobayashi	●					●	

## Transition of Corporate Governance

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of directors	Internal	7	6	6	6	5	5	5	5	5	5	5
	External	3	4	4	4	4	3	4	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)
Ratio of outside directors												
		30.0%	40.0%	40.0%	40.0%	44.4%	37.5%	44.4%	44.4%	44.4%	44.4%	44.4%

- |        |   |  |
|--------|---|--|
| FY2017 | · Transition to a Company with an Audit & Supervisory Committee     | · Beginning of performance-linked remuneration |
| FY2019 | · Establishment of a Nomination and Remuneration Advisory Committee |  |
| FY2020 | · Introduction of a restricted stock remuneration plan              | · Issuance of Integrated Report                |
| FY2021 | · Establishment of an ESG/SDGs Promotion Committee                  | · Revision of Group Code of Conduct            |

## Officer Profiles

### Directors

**Chairman & CEO**  
**Kiyohisa Iwanami**

Aug. 1978 Joined the Company Director  
Feb. 1985 Managing Director  
Aug. 1987 Executive Vice President  
Jun. 1989 President  
Jun. 2007 President and Executive Officer  
Jun. 2020 Chairman & CEO (to present)

**President**  
**Yoshinobu Iwanami**

Jun. 2010 Joined the Company Executive Officer  
Jun. 2012 Director  
Mar. 2013 Deputy General Manager, Production Headquarters  
Mar. 2014 General Manager, Global Business Promotion Department  
Jun. 2014 Managing Executive Officer  
Jun. 2018 Senior Executive Officer  
Jun. 2020 General Manager, Sales Headquarters President (to present)  
President and Executive Officer (to present)

**Director, Senior Executive Officer**  
**Ikuo Hoshikawa**

Jun. 2010 Executive Officer  
Jun. 2014 Managing Executive Officer  
Mar. 2016 General Manager, Sanda Factory (to present)  
Jun. 2016 Director (to present)  
In charge of Engineering/Production Division (to present)  
General Manager, Production Engineering Headquarters  
Apr. 2018 General Manager, Production Headquarters  
Jun. 2018 Senior Executive Officer (to present)

**Director, Senior Executive Officer**  
**Katsuhiko Shukunami**

May 2014 Joined the Company General Manager, Corporate Planning Department (to present)  
Jun. 2014 Director (to present)  
Executive Officer  
Jun. 2016 Managing Executive Officer  
Mar. 2017 General Manager, Security Trade Control Department  
General Manager, Information System Department  
Jun. 2018 General Manager, Administration Headquarters (to present)  
Jun. 2020 Senior Executive Officer (to present)

**Outside Director**  
**Yoshinori Suzuki**

Apr. 1975 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation) Executive Officer  
Jun. 2003 Managing Executive Officer  
Apr. 2013 Senior Managing Executive Officer  
Jun. 2013 CFO and Senior Managing Director  
Apr. 2014 Visiting Professor, Doshisha Business School (to present)  
Jun. 2014 Representative Director, Vice President and CFO, OMRON Corporation  
Jun. 2019 Outside Director of the Company (to present)

**Outside Director**  
**Junichi Komamura**

Apr. 1973 Joined Mitsubishi Corporation  
Apr. 1996 Director, Mitsubishi Corporation's Italian and UK portfolio companies  
Aug. 2003 Executive Officer, Morishita Jintan Co., Ltd.  
Jun. 2004 Director, Managing Executive Officer and Head of Corporate Planning  
Apr. 2005 Senior Managing Director and Senior Managing Executive Officer  
Nov. 2005 Representative Director and Managing Executive Officer  
Oct. 2006 Representative Director and President  
Mar. 2012 Member of the Board, AnGas, Inc. (to present)  
May 2020 Outside Director, TOKAI BUSSEAN CO., LTD. (to present)  
Jun. 2020 Outside Director of the Company (to present)  
Dec. 2022 Outside Director, AI-BrainScience, Inc. (to present)

**Director (Audit & Supervisory Committee member)**  
**Tomonobu Yoshida**

Aug. 2014 Joined the Company  
Apr. 2018 General Manager, Fukuchiyama Production Department  
Apr. 2021 General Manager, Internal Audit Office  
Apr. 2024 General Manager, General Affairs & Personnel Department  
Jun. 2024 Director (Full-Time Audit & Supervisory Committee member) (to present)

**Outside Director (Audit & Supervisory Committee member)**  
**Kazumitsu Takaya**

Mar. 1989 Registered as a certified public accountant  
Aug. 1992 Registered as a certified public tax accountant  
Mar. 2004 Established Takaya CPA Office  
Dec. 2004 Representative Partner, Nexus Audit Corporation (to present)  
Jun. 2016 Outside Director, HIRANO TECSEED Co., Ltd. (Audit & Supervisory Committee member) (to present)  
Jun. 2019 Outside Director of the Company (Audit & Supervisory Committee member) (to present)

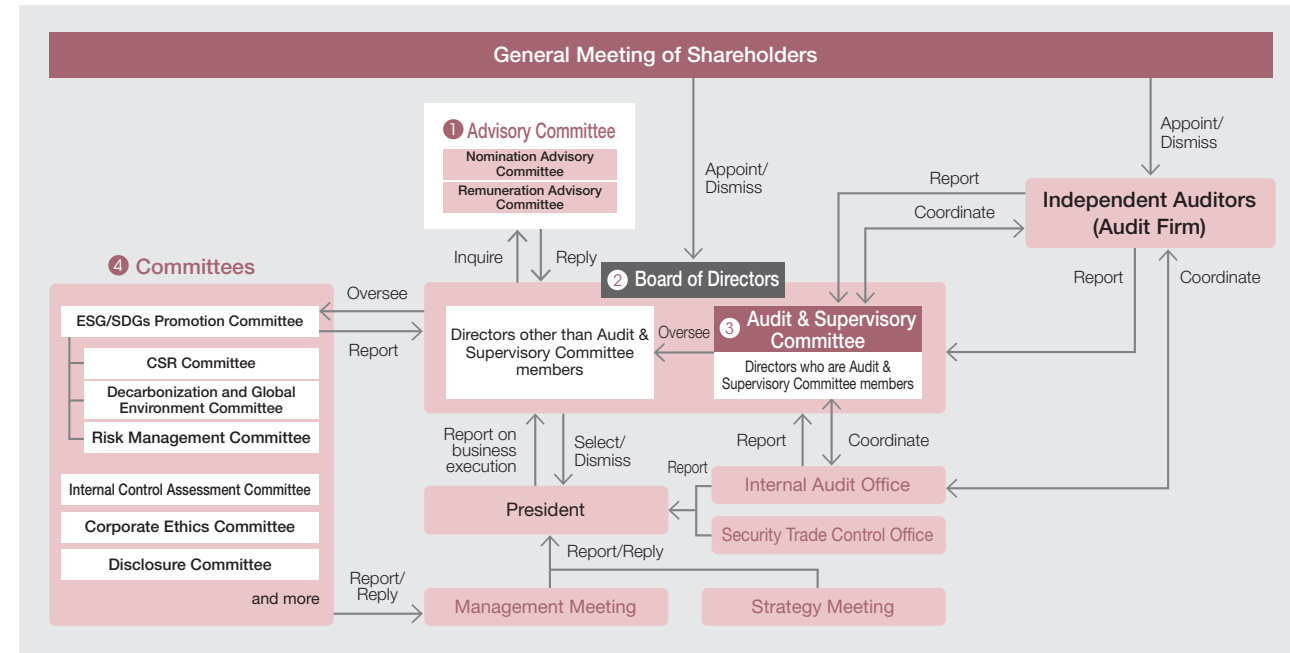
**Outside Director (Audit & Supervisory Committee member)**  
**Kyoko Kobayashi**

Apr. 1999 Registered as an attorney at law  
Joined Irokawa Law Office (currently Irokawa Legal Professional Corporation)  
Sep. 2009 Seconded to Legal Affairs Office, Sharp Corporation  
Sep. 2014 Returned to Irokawa Law Office  
Jan. 2018 Partner at Irokawa Law Office  
Feb. 2018 Outside Auditor of Kawakami Paint Manufacturing Co., Ltd. (to present)  
Jan. 2020 Partner of Irokawa Legal Professional Corporation (to present)  
Jun. 2020 Outside Director of Mitsubishi Logistics Co., Ltd. (to present)  
Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee member) (to present)

**Executive Officers (Excluding Directors)**

Managing Executive Officer	<b>Masato Wada</b>	President, TANKEN SEAL SEIKO CO., LTD.
Managing Executive Officer	<b>Toyokazu Serita</b>	Sales Headquarters
Executive Officer	<b>Masaru Fujiwara</b>	Production & Engineering Headquarters, Sanda Production Engineering Dept. and Fukuchiyama Factory
Executive Officer	<b>Kazukiyo Teshima</b>	Engineering Headquarters
Executive Officer	<b>Tomotaka Nakagami</b>	Managing Director, TANKEN SEAL SEIKO CO., LTD.
Executive Officer	<b>Masanobu Ono</b>	Production Headquarters
Executive Officer	<b>Yutaka Miyamoto</b>	Process Dept. and Seismic Isolation Headquarters

Corporate Governance System



1 Advisory Committee

As advisory bodies to the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee, which are voluntary committees, have been established to strengthen the oversight function of the Board of Directors and enhance the corporate governance system by ensuring the transparency and objectivity of the assessment and decision-making process regarding the nomination and remuneration of directors. Each committee comprises at least three directors selected by the Board of Directors, and the majority of members are independent outside directors.

Nomination Advisory Committee (3 or more directors)

The Nomination Advisory Committee deliberates on matters pertaining to the composition of the Board of Directors, appointment and dismissal of directors, and other matters, and reports to the Board of Directors.

Remuneration Advisory Committee (3 or more directors)

The Remuneration Advisory Committee deliberates on matters pertaining to the remuneration structure for directors, policies for determining their remuneration, contents of remuneration, and reports to the Board of Directors.

2 Board of Directors

Four outside directors (two who are not members of the Audit & Supervisory Committee and two who are members of the Audit & Supervisory Committee) have been invited to sit on the Board of Directors, which meets regularly. Based on their extensive knowledge and experience, their opinions are sought in order to further raise the quality and transparency of management decisions and strengthen oversight. The schedule for board meetings is provided to outside directors in advance and their attendance is coordinated.

3 Audit & Supervisory Committee

The Company changed its legal format to a company with an Audit & Supervisory Committee upon approval by the Ordinary General Meeting of Shareholders on June 23, 2017. The Audit & Supervisory Committee comprises three directors who are Audit & Supervisory Committee members (including two outside directors) and is convened on a regular basis. Information and opinions are exchanged among the directors who are Audit & Supervisory Committee members and efforts are made to improve management oversight.

4 Committees

Internal Control Assessment Committee

The Company has established the Internal Control Assessment Committee in response to the internal control system for financial reporting and promotes the evaluation and operation of the internal control system in the Group.

Corporate Ethics Committee

This Committee was established to discuss how to respond to any event that violates legal compliance or corporate ethics.

Disclosure Committee

This Committee was established to review and deliberate disclosures related to the Company's material information.

Explanations of the ESG/SDGs Promotion Committee, CSR Committee, Decarbonization and Global Environment Committee, and Risk Management Committee can be found on page 25.

P25

Primary Initiatives of the Board of Directors in Fiscal 2023

During fiscal 2023, we deliberated the progress of our newly started Medium-Term Management Plan One2025 and the Company issuing green bonds for the first time, and discussions took place regarding initiatives of the ESG/SDGs Promotion Committee and related committees for developing sustainable

management.

We also talked about a range of topics related to the major turning point of the Company's 100th anniversary, including various management issues, the Company's change of name, and the reporting of projects associated with the anniversary.

Principal Items Discussed by the Board of Directors in Fiscal 2023

- Reported progress of the Medium-Term Management Plan One2025.
- Discussed the change of company name and changes to its articles of incorporation.
- Discussed the formulation of fiscal 2024 management policy.
- Reported on various projects relating to business for the Company's 100th anniversary.
- Deliberated various investment strategies (issuing green bonds, investment in new facilities).
- Formulated activity plans relating to sustainability management and reported on initiatives. (Expanding information disclosure based on TCFD recommendations, activities to reduce CO<sub>2</sub> emissions, initiatives for human capital management, etc.)
- Assessed the effectiveness of the Board of Directors and followed up on that assessment.

Nomination of Candidates for Board of Directors

The appointment of directors will be considered in light of the scale of the Company's business, the human talent capable of adequately fulfilling their roles and responsibilities toward achieving the Medium-Term Management Plan One2025, and the diversity of Company directors. In nominating directors, the Board of Directors selects individuals with diverse perspectives, work experience, and a high level of skills sufficient to supervise and audit the execution of business operations, and nominates those individuals after deliberation by the Nomination Advisory Committee, a voluntary committee, and, for directors who are Audit & Supervisory Committee members, after obtaining the consent of the Audit & Supervisory Committee, they are each nominated by the Board of Directors and elected at the General Meeting of Shareholders. In dismissing a director, the Board of Directors will decide on the dismissal of a director upon deliberation by the voluntary Nomination Advisory Committee when circumstances make it

difficult for that director to execute their duties, and with the consent of the Audit & Supervisory Committee when that director is a member of the Audit & Supervisory Committee.

In appointing outside directors, in accordance with the Corporate Governance Code (Principle 4-9) and the independence standards stipulated by financial instruments exchanges, and with the consent of the Audit & Supervisory Committee and approval of the Board of Directors of the Company, for the purpose of clarifying the criteria to ensure the independence of independent outside directors, the Company has established the "Criteria for Determining the Independence of Independent Outside Directors." The Company will consider an outside director or candidate for outside director to be sufficiently independent if, as a result of the Company's investigation to the extent reasonably possible, it is determined that the outside director or candidate for outside director satisfies all of the following requirements.

[Criteria for Determining the Independence of Independent Outside Directors]

- The person is not currently an executive officer of the Company or its affiliates (below "Company Group") and has never been an executive officer of the Company Group in the past.
- An outside director who is a member of the Audit & Supervisory Committee must never have been a director or an accounting advisor (or an employee who should perform the duties of an accounting advisor if the accounting advisor is a juridical person) who does not execute operations for the Company Group.
- None of the following applies at present or in the past three years:
  - A person who is not a relative within the second degree of kinship of an accounting advisor, executive officer, corporate officer, manager, or other significant employee (below "director, etc.") of the Company Group.
  - Not be a major shareholder of the Company (directly or indirectly holding 10% or more of the voting rights) or a director, etc. thereof, or a director, etc. of a company in which the Company Group is a major shareholder.
  - Not be a director, etc. of a company that is a major business partner of the Company Group (a company whose payments or receipts from transactions with the Company Group account for 2% or more of actual consolidated sales of the Company Group or our business partners' group).
  - Must not have received donations of 10 million yen or more from the Company Group in the current fiscal year.
  - Not be a lawyer, certified public accountant, or professional service provider such as a consultant that receives more than 10 million yen in remuneration from the Company Group in the current fiscal year, other than remuneration as a director or corporate auditor.
  - There must be no relationship of "reciprocal appointment of outside officers" between the company to which the individual belongs as a director, etc., and the Company Group.

Assessing the Effectiveness of the Board of Directors

In order to further improve the effectiveness of the Board of Directors, in fiscal 2023, the Company conducted a questionnaire with each director regarding the composition and operation of the Board of Directors, management strategy and business strategy, corporate ethics and risk/crisis management, performance monitoring and management assessment, digital transformation, Group governance, and other issues. Based on the responses, we analyzed and assessed the effectiveness of the Board of Directors, and the results were shared and discussed at the Board meeting.

In fiscal 2023, the Board of Directors of the Company was assessed positively overall, with an improvement in effectiveness compared to the previous year's results. In particular, it was acknowledged as being composed of directors with the necessary

skills and diversity based on the Company's management strategy and other factors. On the other hand, there were some opinions calling for an increase in the number of Board of Director meetings—including through the use of online meetings—and for more substantial deliberation regarding initiatives for digital transformation. These issues will receive further consideration in the future.

In addition, in order to further invigorate deliberations at Board of Directors meetings, a Board of Directors meeting and inspection visit were held at the Fukuchiyama Factory No. 2, the construction of which was completed in fiscal 2023. Opportunities were also provided for reports by the heads of operational divisions on the status of their efforts toward the business plan. Going forward, we will continue to make further operational improvements.



### Officer Remuneration

The remuneration of our senior management and directors is linked to our business performance and corporate value. The purpose of the remuneration is to further raise morale and motivation to continuously improve business performance and corporate value over the medium to long term, and to secure outstanding human talent to improve corporate governance through the proper supervision and auditing of the execution of business operations. Thus, the Company has established an equitable remuneration level and remuneration system commensurate with the duties of each employee.

Remuneration for senior management and directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) consists of fixed remuneration, performance-linked remuneration, and restricted stock remuneration. The amount of compensation is determined by the Board of Directors after deliberation by the Remuneration Advisory Committee, a voluntary committee comprised of a majority of independent outside directors, within the amount resolved at the General Meeting of Shareholders.

For outside directors (directors who are not members of the Audit & Supervisory Committee and those who are members of the Audit & Supervisory Committee), the amount of their remuneration is determined at the time of their invitation, together with the nature of their work. Since they are in a position independent of the execution of operations, performance-linked remuneration and restricted stock remuneration are not paid to them. In addition, the remuneration of directors who are members

of the Audit & Supervisory Committee is determined through discussions by the Audit & Supervisory Committee.

The fixed remuneration ranges from 50% to 60% of the cash remuneration corresponding to the position, with the higher the position, the lower the percentage of the fixed remuneration.

The indicators used for performance-linked remuneration are consolidated sales as an indicator of business scale, consolidated operating income as an indicator of sustained improvement in corporate value, consolidated operating margin as a gauge of management efficiency, ROE as an indicator of capital efficiency, and ESG indicators, each of which is weighted according to each position. Consolidated sales and consolidated operating income are assessed by comparison with the previous year. ESG indicators are assessed on a four-level scale based on a comprehensive evaluation of external assessments and the Company's own efforts to address ESG items.

For the fiscal year ended March 31, 2023, consolidated sales were 119.7% of the previous year's level, and similarly, consolidated operating income was 121.5% of the previous year's level. The consolidated operating margin was 146.0% and ROE was assessed at 200.0%.

Regarding ESG indicators, we have conducted an external ESG assessment and evaluated them according to their ranks, and last year we applied 110% as our assessment since we received a B- rating.

Officer classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)				Number of officers
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses	Non-monetary remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	214	62	108	—	43	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	5	5	—	—	—	1
Outside officers	17	17	—	—	—	4

(Note) The breakdown of the total amount of non-monetary remunerations for directors (excluding Audit & Supervisory Committee members and outside directors) is the amount of restricted stock remuneration recorded as an expense for the current fiscal year of 43 million yen.

### Our IR Activities

We conduct semi-annual financial results briefings for institutional investors and analysts with the basic approach of having the Company president himself provides the explanation. In addition, we hold small meetings and engage in one-on-one dialogue to help our clients better understand our business. We also hold company information sessions for individual investors, both online and in person.

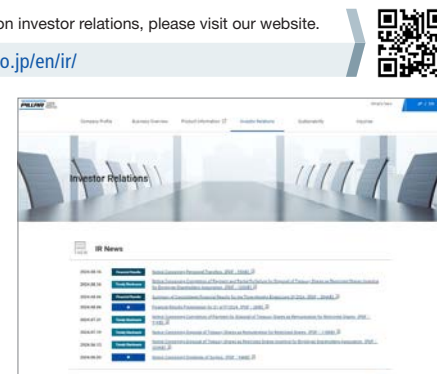
The Company's website contains financial statements, annual securities reports, and timely disclosure materials, as well as materials

Activity	Held (times)	Details
Financial results briefing for analysts	2	Briefing on financial results and initiatives for institutional investors and securities analysts held in June and November (at full-year and interim financial closing)
Small meetings	2	Briefing on business description, financial results and initiatives for institutional investors and securities analysts on an irregular basis
Factory tours	2	Factory tour for institutional investors and securities analysts on an irregular basis
Individual IR for analysts	208	Briefing on business description, financial results, initiatives, etc. for institutional investors and securities analysts whenever necessary
Company briefings for individual investors	5	Briefing on business description, business model, shareholder returns, etc. for individual investors

related to financial results and company presentations, and also contains videos. We are working to enhance the content of our website by creating a page for individual investors who are unfamiliar with the Company, and disclosing information in English for overseas investors. We also provide videos of our General Meeting of Shareholders.

For more information on investor relations, please visit our website.

<https://www.pillar.co.jp/en/ir/>



### Risk Management

In order to minimize increasingly diverse risks, we are working to strengthen risk management as part of our internal controls. The Risk Management Committee is the driving organization to build a framework that systematically analyzes and assesses material risks, implements measures to mitigate them, and shifts the focus to activities to continuously improve.

Through this Committee, the Company identifies, analyzes, and assesses the material risks associated with its business activities, and formulates and reviews countermeasures against these risks after confirming the status of countermeasures against these risks, such as avoidance, mitigation, relocation, and retention. In the event that a risk materializes despite the implementation of a variety of countermeasures, we will take appropriate action to quickly resolve the problem in cooperation with the concerned divisions, and will strive to identify the cause of the problem and formulate and implement measures to prevent its recurrence.

For more information about our risk management policy, please visit our website.

<https://www.pillar.co.jp/en/sustainability/risk-management/>



### Risk Management Promotion System



### Major Risk Factors

Risk type	Risk factor
External environmental risks	(1) Quality
	(2) Market fluctuations
	(3) Fluctuations in financial and stock markets and economic conditions
	(4) Overseas production and sales systems and foreign exchange trends
Resource and infrastructure risks	(5) Procurement of raw materials and price trends
	(6) Information security
Human resources risk	(7) Human resources
Legal risks	(8) Violation of laws and regulations
Natural disaster and other risks	(9) Natural disasters, etc.
Other risks	(10) Other risks

### Compliance

The Group has established the Group Code of Conduct as a set of especially important guidelines for directors and employees in their daily work to ensure compliance with laws and regulations and to improve ethical business conduct. We strive to ensure that all employees are thoroughly familiar with these Guidelines by posting them on our website (in both Japanese and English) and our intranet, as well as through annual e-learning programs for all employees and various in-house training programs.

The Company manages its subsidiaries through procedures such as approvals, decisions, and reports from those subsidiaries in accordance with the Affiliate Management Rules. The Company also respects the autonomy of each subsidiary as an independent company and fully discusses important management issues that may arise among Group companies.

In addition, the Internal Audit Office periodically conducts internal audits of each subsidiary. For our overseas subsidiaries,

we have also prepared a Management Book that summarizes guidelines and past examples to prevent management risks that may occur at overseas locations and minimize damage when risks become apparent, and we are working to ensure that all employees are familiar with the contents of this book.

A whistleblower system has been introduced for the early detection of misconduct, including violations of laws and internal regulations. Alongside a unified internal hotline for all Group employees and directors in Japan and overseas, we have established and are operating an external hotline for direct consultation with a legal advisor. In the case of any violation of laws and regulations or any event that violates corporate ethics, the Company responds promptly through convening the Corporate Ethics Committee. In fiscal 2023, there were five whistleblower cases, all of which were handled appropriately.

### Corruption Prevention

The Group recognizes corruption as the use of entrusted power, whether monetary or non-monetary, for personal gain. We do not engage in any form of corruption, including payment of rewards to public officials or employees of other companies, excessive

entertainment, bribery like giving or receiving of gifts, embezzlement, money laundering, or insider trading, or any other form of corruption.

We also respect and comply with the relevant laws and regulations of all countries and regions in which the Group operates.