



**NIPPON PILLAR PACKING CO., LTD.**

7-1, Shinmachi 1-chome, Nishi-ku, Osaka 550-0013, Japan  
<https://www.pillar.co.jp/en/>

**Company Information** (As of March 31, 2022)

Company name	Nippon Pillar Packing Co., Ltd.
Head Office address	7-1, Shinmachi 1-chome, Nishi-ku, Osaka 550-0013, Japan
Establishment	1924
Representative	President Yoshinobu Iwanami
Capital	¥4,966 million
Listed stock exchange	First Section, Tokyo Stock Exchange (Transition to the Prime Market from April 4, 2022)
Total number of shares	25,042,406 shares
Number of stockholders	12,498
Number of employees	832 (consolidated)
Main products	Pilaflon™ products (fluorocarbon polymers products), mechanical seal products, gland packings and gasket products
URL	<a href="https://www.pillar.co.jp/en/">https://www.pillar.co.jp/en/</a>

August 2022

***PILLAR***  
**2022**  
Integrated Report



**NIPPON PILLAR PACKING CO., LTD.**



Creating a future that supports society  
Creating new value towards a sustainable society

Nippon Pillar Packing will create unique value based on the principles of CLEAN, SAFETY, and FRONTIER, and will strive for new possibilities.

CLEAN

**Achieving a clean global environment**

Controlling fluids helps to conserve energy and resources, leading to a clean global environment. Nippon Pillar Packing contributes to this endeavor by using its technology to control fluids for semiconductor and LCD manufacturing equipment and for major industrial equipment.

SAFETY

**Contributing to a safe and secure society**

Safety takes precedence over everything else when it comes to improving the quality of work and keeping our workforce energized. Controlling fluids helps to control flammable, toxic, and other harmful fluids in a consistent, regular, and precise manner. Nippon Pillar Packing contributes to a safe and secure society with our fluid control technologies.

FRONTIER

**Expanding into new fields that develop the leading edge of the industry**

Since our founding, Nippon Pillar Packing has produced original, high-quality products through research and development always one step ahead of our competitors. Nippon Pillar Packing will continue to take up the challenge of pioneering cutting-edge fluid control technologies and new fields of business.

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Environment  
Social  
Governance

Guidance for Collaborative Value Creation

Integrated Report 2022 covers fiscal 2021 (April 2021 to March 2022). Some information postdating April 2022 is also included. The report introduces the Group's environmental and social initiatives, governance and other non-financial areas while also providing some information on its medium- and long-term strategy and financial performance. The report is intended to enhance communication with stakeholders and also further improve the Group's initiatives. This report was edited with reference to the International Integrated Reporting Framework published by the Value Reporting Foundation (VRF) and the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry in May 2017.

Reporting period: April 1, 2021 through March 31, 2022  
Note: Also includes some information outside of the reporting period.

Reporting scope: Nippon Pillar Packing Co., Ltd. and its Group companies



As a manufacturer of fluid leak prevention and control equipment, we are contributing to the emergence of a society committed to sustainability.

Since our founding in 1924, we have been utilizing technologies for controlling fluids to provide a range of innovative and high-quality products that includes mechanical seals, gland packings, gaskets, and Pilaflon™ (fluorocarbon polymers) products. As indispensable high-performance components, our products are actively used in a wide range of industrial applications that include electric power, petroleum, automobiles, chemicals, marine vessels, semiconductors, and pharmaceuticals.

Working quickly to respond to changes in our business environment, we aim to contribute to creating a resource-efficient, safe and clean global environment, while also complying with legal and social norms and engaging in fair, sound business practices, acting as a good corporate citizen to contribute to the development of richer communities.

Looking ahead to the upcoming 100th anniversary of our founding, we will remain committed to delivering products that offer greater contentment and contribute to the emergence of a society committed to sustainability in the spirit of our Corporate Principles: "Quality First, Cooperation and Harmony, Steady Research."

Chairman & CEO

Corporate Principles

Quality First / Cooperation and Harmony / Steady Research

Management Philosophy

- 1 To contribute to the creation of a world that is pleasant to live in, with an affluent social climate.
- 2 To offer original, high-quality products, and strive to be a company that is essential to customers.
- 3 To comply with legal and social norms, and engage in proper, sound business practices.



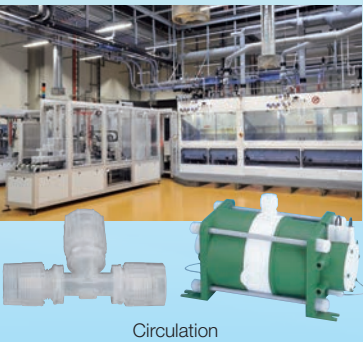
# Contributing to the safety and security of society and the environment through the control of a wide range of fluids

We are a manufacturer skilled in the design, development, and manufacture of equipment to control fluids such as water, oil, toxic gases and chemicals, and more. Our products are used in facilities that are essential to the functioning of daily life. Moreover, they contribute to environmental preservation, resource conservation, and the protection of lives and property.

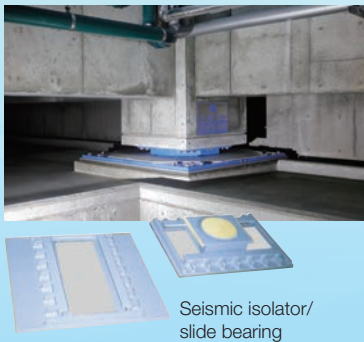


Note: Circulation products for the clean market

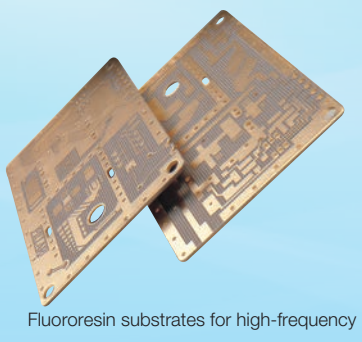
## Sample Uses



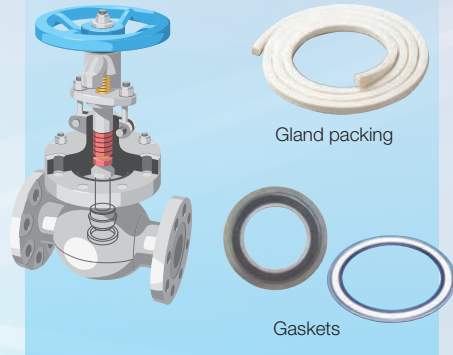
Semiconductor cleaning equipment



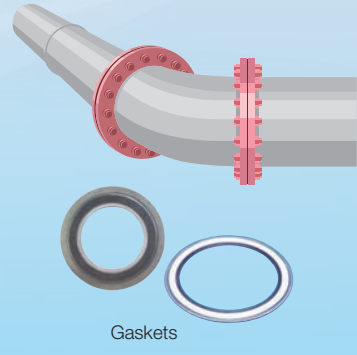
Structure fitted with seismic isolators



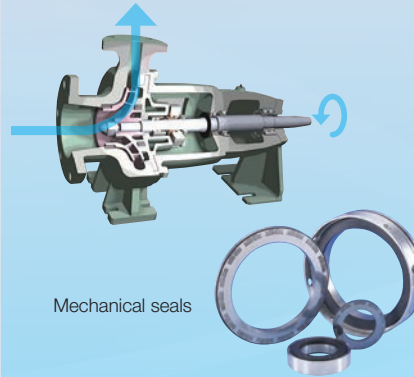
Fluororesin substrates for high-frequency



Valves



Pipes



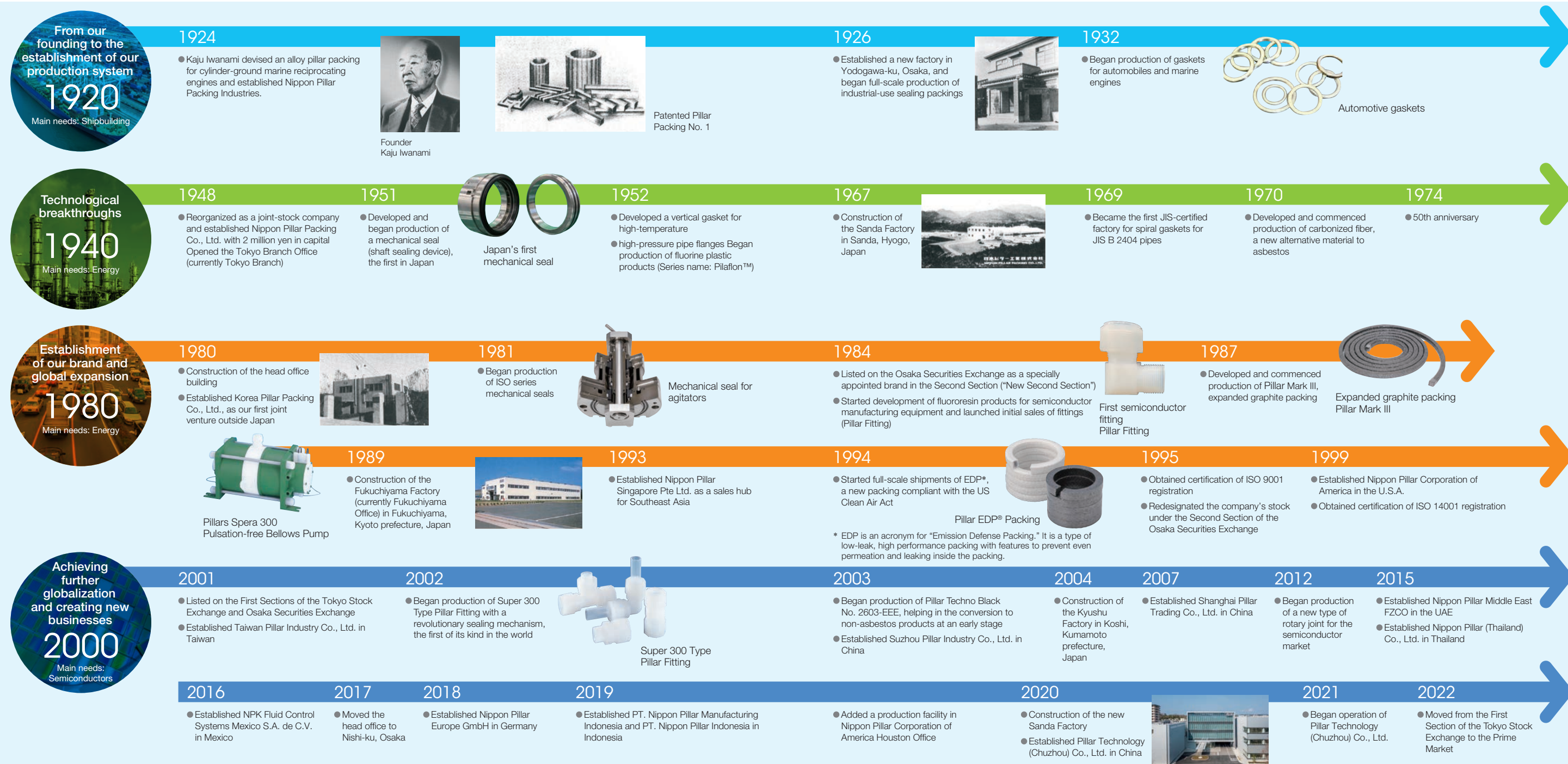
Pumps



## Meeting current needs by developing products that create value

For over 95 years since its founding, Nippon Pillar Packing has worked to serve the needs of growing industries by quickly utilizing new materials in order to commercialize new products and thereby contribute to the realization of a prosperous, sustainable society. Going forward, we will continue to provide original, high-quality products and services while further improving of our fluid control technologies.

### Our pathway to meeting the needs of the times





# Creating economic and social value through further development of our products and technologies

We have met our management targets early thanks to the rapid expansion of the semiconductor market, but rather than remain complacent, with keen managerial awareness we aim to improve our agility in the face of change.

President

*Y. Inaumi*

## » Looking Back on Fiscal 2021

In fiscal 2021, despite fluctuations in the energy market due to the spread of COVID-19 and the Russia/Ukraine situation, the semiconductor market saw significant growth, generating strong demand for our products, which called for a major expansion in manufacturing. In conjunction with the worldwide shortage of semiconductors, there emerged a shortage of fluororesin, a key raw material for our Company, but we were able to make internal arrangements and negotiate with suppliers to resolve the problem. Our rapid increase in production led to a labor shortage, but we were able to overcome it with a cross-division loan of personnel. Such efforts brought more unity to the Company and I felt a certain momentum take hold that will lead to growth.

Facing significant changes in society and the marketplace, we worked to handle every issue without delay to achieve growth. A new issue soon became apparent, however, that would have to be overcome before we could reach the next level. To improve our speed now as a larger corporation and encourage a spirit of accepting challenges, I realized that there needs to be a bonding between leadership at the management level and the rest of the Company's employees to build the overall strength of the organization to carry out business.

## » Performance Results —Higher Sales and Profits

Our overall financial results for fiscal 2021 reached record highs in both sales and profits. We hit the 40 billion yen mark in sales and exceeded 10 billion yen in profit. These results reflect the opportunities we had in a rapidly expanding semiconductor market. Although problems arose with our production system and raw materials, we were able to reduce the percent defective, implement measures to reduce costs, and get personnel loaned from other divisions—all of which helped significantly to increase our income and profits.

Looking at individual segments, our electronic equipment business boosted its results thanks to the tailwind I just mentioned (the rapid increase in demand for semiconductors). In the industrial equipment business, amidst great upheaval in the energy market, our strong results were largely due to a rise in both sales and profits of mechanical seals for precision equipment.

In fiscal 2022, even as the shortage of resin worsens, we will work to secure supplies using a range of methods, including continuing to reduce the defective rate in production. To combat rising input costs, we plan to boost our competitiveness by reducing cost price and engaging in improvement activities.

Our aim is to continue increasing our share in the markets we compete in, make our products and technologies even more distinctive, and strengthen our cost competitiveness.

## » An Upward Revision to Our Medium-Term Management Plan, BTvision22

In this final year of our three-year medium-term management plan, we have exceeded our own expectations and have already met our initial targets. This situation is a result of tremendous expansion in the semiconductor market, beyond all early estimates. But we must remain keenly aware of the rapid changes taking place in the market or risk getting engulfed. With the experience from this environment over the past year, we will continue to carry out measures in line with the five basic policies in our plan.

### ► Enhancing business infrastructure

In the electronic equipment business, we were able to begin mass production of new products using new technologies and also began construction of our Fukuchiyama Second Factory. In the industrial equipment business, we have been able to launch new products for the semiconductor market on an ongoing basis and start a joint venture in seal material for the new energy market, with admirable results. We aim to continue creating new business infrastructure going forward without self-limits.

### ► Achieving further globalization

We have just reached the target of 30% of our total sales being outside of Japan. Over the past decade, we expanded our international business bases and built relationships of deep trust with customers locally. Over the past year, we made good additional progress on this front. Going forward, we plan to mass-produce products for semiconductors by expanding our business in China and are looking to expand our range of businesses and extend into new regions.

### ► Creating new businesses

Through tie-ups with venture companies, we have made progress in developing new solutions and new products using original technology. This year we laid the groundwork for growth, starting product development for future markets that include hydrogen, ammonia, and electric vehicles.

### ► Promoting ESG/SDGs management

We established our ESG/SDGs Promotion Committee in April 2021, and have been working to promote an environmental message throughout the Company based on regular meetings of the committee. We are prepared to add new themes every year as we strive to respond quickly to issues and communicate our environmental stance to the world.



► Financial strategy

We just began construction of our Fukuchiyama Second Factory, the first step in a major investment that will improve our manufacturing capabilities and competitiveness going forward. Regarding shareholder returns, we have maintained a minimum dividend payout ratio of 30% and also increased the dividend in line with our profit growth in fiscal 2021, which should be welcomed. We will continue to invest in growth, increase dividends through profit growth, and consider acquiring treasury shares depending on our cash flow.

» Building a Future Based on the Group Code of Conduct “Good to Better, Better to the Best”

Semiconductor demand is expected to continue growing, so we will expand our workforce, including both new graduates and individuals changing jobs mid-career. As this takes place, we will need to get all of our employees on the same page and build strong teamwork. A hodgepodge of individual approaches will diminish our ability to respond with agility. Respect for diversity naturally comes first, but the Company also needs to have set values and action guidelines that cannot be strayed from.

The Group Code of Conduct “Good to Better, Better to the Best” is for all stakeholders. It will help Nippon Pillar to become the best company we can be through step-by-step improvements. There are many things we need to do, but they cannot all be done at once. We must expand the scale of the Company, increase our market capitalization, boost our competitiveness, and create a positive workplace environment. We have expressed our determination to maintain a long-term perspective while working on the individual pieces of the puzzle in the short-term and seeing tasks through to completion. In our 98-year history, we have faced and overcome numerous crises both large and small, and have steadily expanded our business and product domains. For this trajectory we have our predecessors to thank. Our job is keep the momentum going and work to create prosperity and build a better future.

» Writing Our Own Story of Value Creation

Fiscal 2021 was a year in which we took significant advantage of business opportunities. In the electronic equipment business, the semiconductor market grew rapidly, which presented new chances for growth as remote work drove the need for IT devices, and there was rising demand for electric vehicles and products incorporating sensors and robotics. In the industrial equipment business, global society has gotten serious about dealing with environmental issues, especially about reducing carbon emissions, and approaches are changing with regard to the use of energy sources in various processes. New technologies and new products that employ

Contributing to the emergence of a society committed to sustainability by providing high-performance products offering greater added value



our fluid control technologies have strong potential and present a great opportunity. At the same time, risks are also rising. We must urgently expand our workforce and facilities, and obtain raw materials to meet the rapidly growing needs of the semiconductor market.

Within this context, we have identified materiality for the Company. Our key issues involve the contributions we can make through the equipment we sell related to fluid control and the processes related to offering our products and services. We have been carrying out management from an ESG/SDGs perspective, but stipulating actions in writing will help all employees to get on the same page.

As we continue to write the story of our history, we will need a tireless effort in raising corporate value along with firm leadership, rapid responses to issues that may arise, and an enthusiastic effort all around. That is how we will write the latest chapter on value creation.

» To Our Stakeholders

We were able to achieve outstanding performance in fiscal 2021. Our next effort will be to devise the next medium-term management plan. The upcoming three-year period will straddle the Company's 100th anniversary, so we aim to create a plan that further boosts our corporate value. At the same time, I would like to send out a message that clearly expresses the meaning of this centennial milestone and that brings everyone together. Our vision is to be a better company, and I want everyone to be able to feel the changes as we get better, both inside and outside the Company. I would like to see us to contribute to the marketplace through technological advancement, raise employee motivation and performance by becoming an easier place to work at, and be a company that has become indispensable to the world.

We may ask our stakeholders for assistance and advice from time to time. We hope to build on that and live up to your expectations. We truly appreciate your continued support.

► Message from the CFO

Our aims are to grow the Company, fulfill our social responsibility, and earn widespread support.

We will review our financial strategy to improve capital efficiency—including robust investment in facilities and technological development—and boost our corporate value through increasingly global IR.

Director, Senior Executive Officer General Manager  
Katsuhiko Shukunami



» Moving Ahead with a Financial Strategy Review, Aiming to Expand Growth through Large-Scale Investment

Fiscal 2021 was a year of tremendous disruption in both global society and the market environment. Of particular note was the energy market's instability, attributable to the spread of COVID-19 and the Russian invasion of Ukraine, combined with escalating prices and the continued devaluation of the yen. Nevertheless, our sales exceeded the 40 billion yen mark, doubling our operating income to 10 billion yen for unprecedented growth. It was truly a landmark year.

These results were driven by the electronic equipment business, which benefited from a rapid rise in demand for semiconductors, which in turn was stimulated by increased global investment. The industrial equipment business also did well through production, sales, and engineering divisions working together successfully in many areas to improve profitability and achieve a high profit margin.

As we enter the final year of our BTVision22 medium-term management plan, we plan to review our financial strategy. We had intended to invest 10 billion yen in capital expenditures over the three years, but are expected to fall short of that amount. The primary reason for this was a fundamental reappraisal of the construction of our Fukuchiyama Second Factory to meet increased demand in the semiconductor market. We plan to accelerate such investment in the next

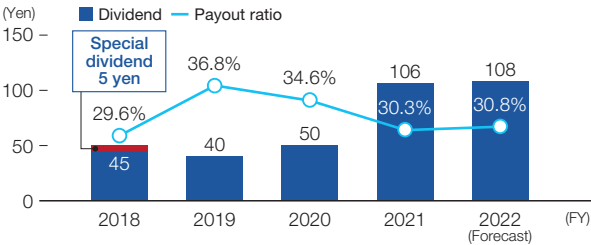
medium-term management plan. With regard to investment aimed at further growth, we are considering supplementing corporate funds with a range of other financing methods such as green bonds.

Next, regarding dividends, we will continue aiming for ongoing stability based on a minimum payout ratio of 30% and will consider buying treasury shares while balancing that with company growth investments. In terms of ROE, which represents the efficiency of capital, we were able to achieve a 16.8% return in fiscal 2021, more than double our target of 8%, but I recognize that maintaining this will not be easy. We will continue to take measures to improve return on equity, however, aiming to reach our final year target and attain 10% or higher—the Prime Market level on the TSE.

We are also aware of how ESG/SDGs management can set a company apart in the marketplace. We aim to fulfill our corporate social responsibility in such areas and thereby earn the support of the public. Our engagement includes matters concerning the Task Force on Climate-Related Financial Disclosures (TCFD) and biodiversity, along with many other topics such as human rights due diligence. Since we work with many small and medium-sized suppliers and overseas suppliers in our supply chain, we are conducting surveys and follow-ups regarding these initiatives to further emphasize CSR procurement throughout the supply chain.

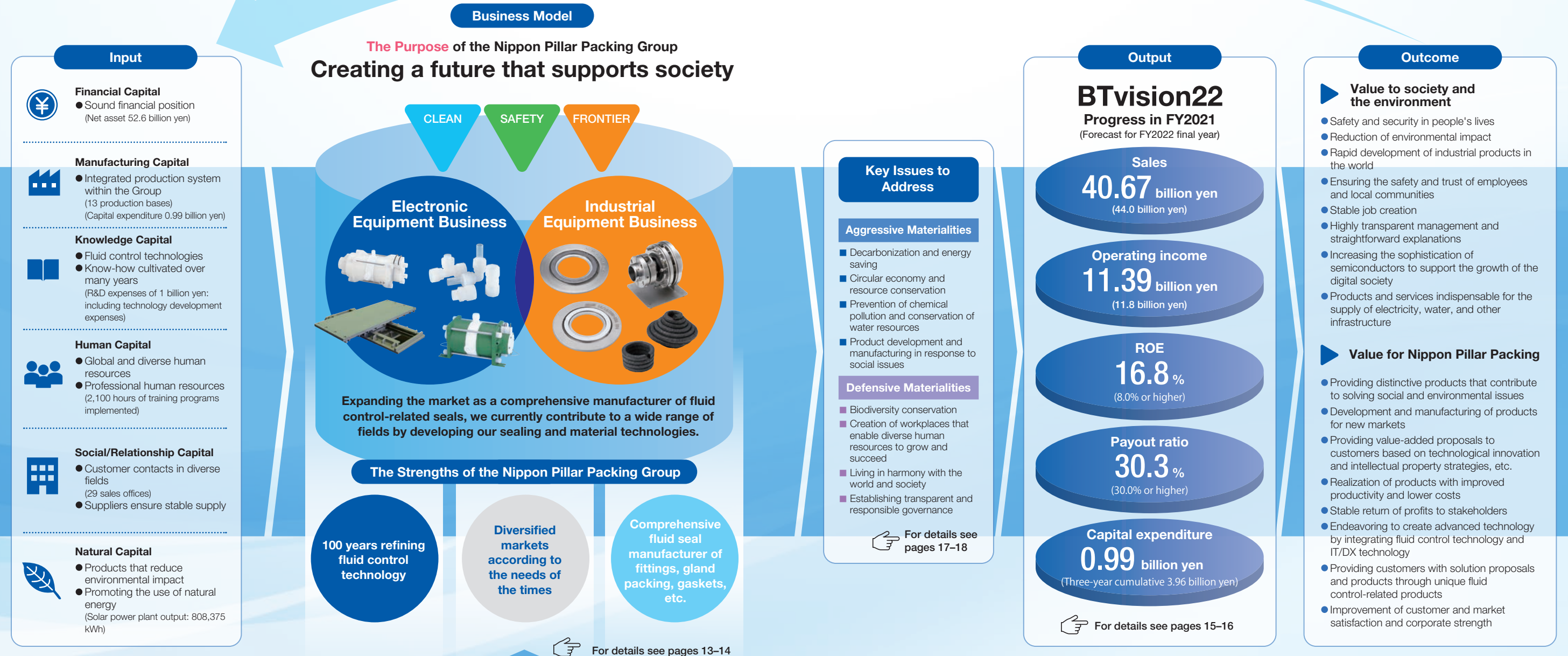
Taking these measures, we aim to achieve business growth, accompanied by open innovation at our Technology Development Center, utilizing our strengths in technology and product development to reach a market capitalization of 100 billion yen.

We also plan to develop investor relations to increase our appeal internationally, putting effort into raising our profile and global recognition. Please lend us your continued support as a stakeholder.



## The Value Creation Process of Nippon Pillar Packing

As stated in our Purpose, the Nippon Pillar Packing Group is committed to providing value to the world with an awareness of social challenges and our materiality, focusing on our two businesses—electronic equipment and industrial equipment—so that we may create a future that supports society.



**Key Issues to Address**

**Aggressive Materialities**

- Decarbonization and energy saving
- Circular economy and resource conservation
- Prevention of chemical pollution and conservation of water resources
- Product development and manufacturing in response to social issues

**Defensive Materialities**

- Biodiversity conservation
- Creation of workplaces that enable diverse human resources to grow and succeed
- Living in harmony with the world and society
- Establishing transparent and responsible governance

For details see pages 17–18

**Social Issues [External Environment]**

**Global environmental conservation**

**Expansion of eco-friendly business**

Providing new products to new markets such as batteries for electric vehicles, sealing materials using high performance materials for hydrogen and ammonia, pharmaceuticals, and the food industry

**Climate change**

**Further growth in the semiconductor field**

Providing cleaner, more energy-efficient products that also contribute to protecting the environment

**Human rights issues**

**The age of IoT, where sensors are installed in everything**

Providing sensing in harsh environments where higher temperatures than ever before and chemical resistance are essential

**Respect for diversity**

**Rapid expansion and contraction of market size**

Opportunity losses due to technological innovation, resource shortages, and other factors resulting from unexpectedly rapid market expansion and contraction in the semiconductor and LCD markets, etc.

**Shift to IoT/DX**

**Structural changes and tightening of regulations, etc.**

Unexpected changes in the political or economic system in the country of operation, as well as increased restrictions on raw materials due to conflicts, natural disasters, infectious diseases, environmental considerations, etc.

**Labor shortages**

**Decline in international competitiveness due to emergence of competition, cost fluctuations, etc.**

Decline in international price competitiveness due to the emergence of competitors with innovative technologies, changes in manufacturing processes, increased infrastructure costs, etc.



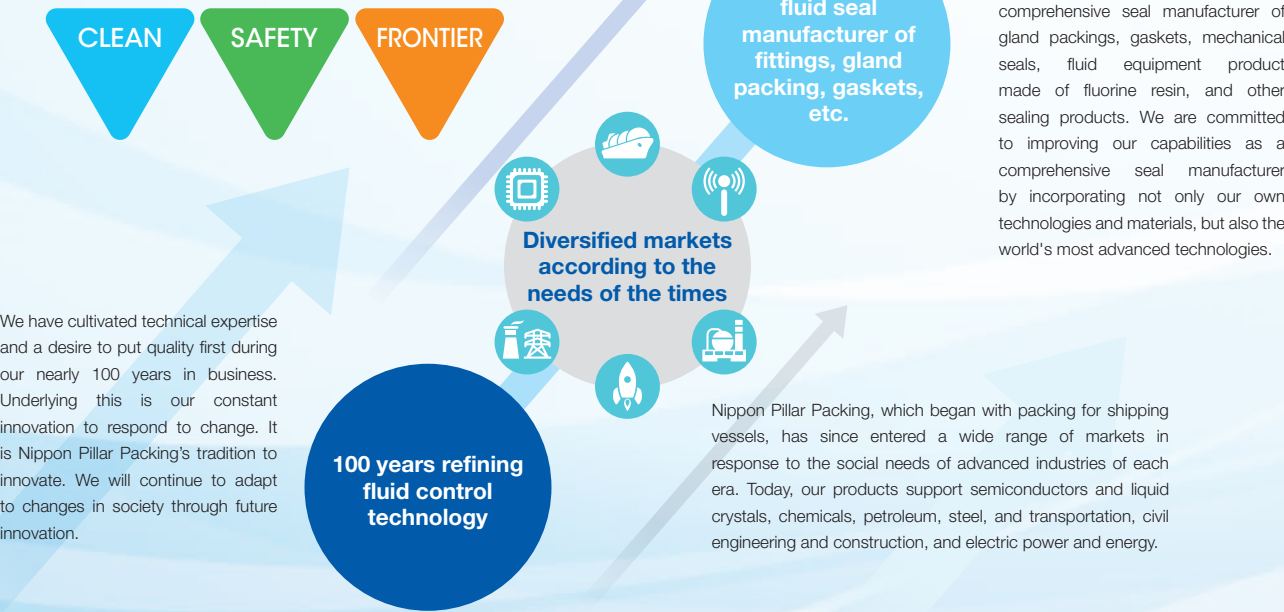
Value Created by Nippon Pillar Packing Co., Ltd.

The Nippon Pillar Packing Group has identified certain strengths as a source of unique value. As we work to create value in the future, we will continue to develop these strengths further while providing our stakeholders with value that is unique to the Nippon Pillar Packing Group.

Strengths cultivated over the Nippon Pillar Packing Group's 100 years in business

We have improved our technological capabilities through an integrated system that covers everything from material development to product design, production, and assessment. Based on our core competence—fluid control technology; we will continue to manufacture products of even higher quality by manufacturing internally all necessary items from materials and integrating all processes in-house so that we can meet the requirements of our customers at the high level they demand.

The Purpose of the Nippon Pillar Packing Group  
Creating a future that supports society



In accordance with our Corporate Principles and Management Philosophy, we support these strengths by formulating a Sustainable Policy to contribute to the realization of a society committed to sustainability through our business and achieve the sustainable enhancement of corporate value.

Sustainable Policy

In accordance with the Corporate Principles and Management Philosophy of Nippon Pillar Group, we will contribute to the realization of a society committed to sustainability through our business and achieve sustainable enhancement of corporate value.

1 Contribution to the global environment through business

We will contribute to the creation of a flourishing global environment by being a source of innovative, high-quality products for society. We will also strive to reduce emissions of substances with environmental impacts in the course of business activities.

2 Responsibility and contribution to society

As a corporate citizen, we will contribute to the resolution of social issues. We will also aim to be an enterprise that continues to earn trust through dialogue with all stakeholders.

3 Strengthening of corporate governance

We will establish a robust corporate governance system to ensure compliance with the Group Code of Conduct and laws and regulations as the starting point of our business activities and to promote sound and transparent management.

Nippon Pillar Packing's business

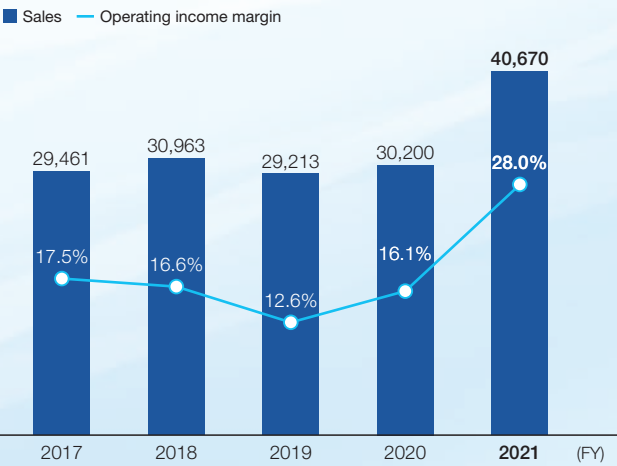
The Nippon Pillar Group has expanded our market as a comprehensive seal manufacturer for fluid control related products such as gland packings, gaskets, and mechanical seals for a variety of industrial equipment.

Today, we contribute to a wide range of fields by developing sealing and material technologies and developing products that meet the demands of the times with cutting-edge technologies, including semiconductors, seismic isolation, and the IT industry.

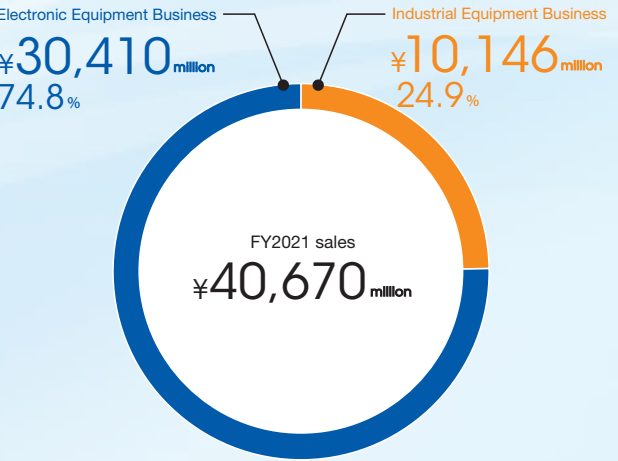
Two business segments supporting global industry

Electronic Equipment Business	Industrial Equipment Business
<p>Sales of Pilaflon™ (fluorocarbon polymer) products for semiconductor and LCD manufacturing equipment-related industries increased significantly both in Japan and overseas due to vigorous demand for semiconductors.</p> <p>As a result, net sales in the electronic equipment business increased 47.3% from the previous fiscal year to 30,410 million yen, and operating income rose 135.8% to 9,737 million yen.</p>	<p>In mechanical seal products, sales of products for oil refinery plants and thermal power plants were sluggish, but demand for aftermarket products and products for precision machinery equipment remained strong. In gland packing and gasket products, sales of automotive products were sluggish, but sales of chemical-related products and products for marine vessels increased.</p> <p>As a result, net sales in the industrial equipment business increased 7.1% from the previous year to 10,146 million yen, and operating income increased 130.0% to 1,589 million yen.</p>

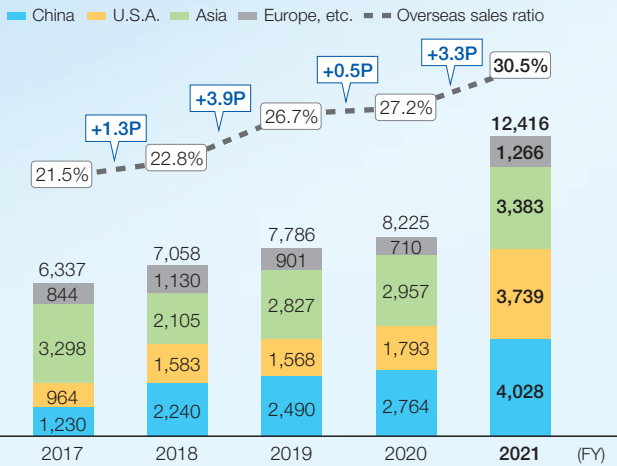
Net sales and operating income margin



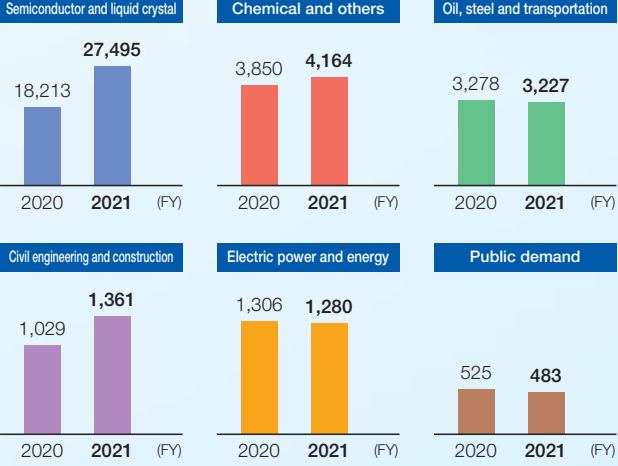
Segment sales



Sales trend outside Japan



Sales by market (nonconsolidated)





# Medium-Term Management Plan “BTvision22”

## Growth scenario for the 100th anniversary of the Company

The Company commenced its new three-year medium-term management plan, BTvision22 (Breakthrough Vision 22) in fiscal 2020. The name “BTvision22” carries the meaning of leaping forward by breaking through all types of preconceptions (in processes, technological development and costs) in order to work toward sustained enhancement of corporate value in the midst of rapidly changing market conditions.

2017 to 2019

Previous medium-term management plan BTvision19

2020 to 2022

Medium-term management plan BTvision22

Materiality groups in which the Nippon Pillar Group tackles

- Decarbonization and energy saving
- Circular economy and resource conservation
- Prevention of chemical pollution and conservation of water resources
- Biodiversity conservation
- Product development and manufacturing in response to social issues
- Creation of workplaces that enable diverse human resources to grow and succeed
- Living in harmony with the world and society
- Establishing transparent and responsible governance

For details see pages 17–18

2024

100<sup>th</sup> anniversary

The medium-term management plan “BTvision22” was launched in April 2020 and incorporates the following five basic policies:

- (1) Enhancing business infrastructure
- (2) Achieving further globalization
- (3) Creating new businesses
- (4) Promoting ESG/SDGs management
- (5) Financial strategy

Although fiscal 2022 will be the final year of the plan, we have revised upward our performance target for net sales in the final year of the plan, since the demand for semiconductors is expanding due to the progress of digital transformations (DX) and 5G, and our actual results in fiscal 2021 exceeded the final year target in the original plan. We will achieve each of the targets in the revised medium-term management plan to further strengthen our competitiveness and increase our corporate value.

### (1) Enhancing business infrastructure

In the electronic equipment business, the importance of semiconductors to society is increasing at a rapid pace, and we are making use of previously installed facilities and building a system to ensure a stable supply of products to keep pace with this growing demand. In preparation for the further growth in demand, we are continuing to make proactive capital investments, including the launch of Fukuchiyama Second Factory.

In the industrial equipment business, we are aggressively introducing our products in the field of hydrogen and other new energy sources, which require new technologies with excellent environmental performance, in order to set ourselves apart from our competitors.

### (2) Achieving further globalization

With the operation of new overseas production bases in the U.S.A. and Indonesia, we are focusing on capturing demand in the plant market, especially in Southeast Asia, by tapping into the fluorocarbon polymer processing demand in the U.S.A. and improving the response of mechanical seal repair in Indonesia.

In addition, the Chuzhou Factory in China will begin production of resin products for the electronic equipment business market.

### (3) Creating new businesses

In the development process of new technologies and products, we will utilize industry-government-academia collaboration and IT technologies such as machine learning more than ever to improve quality, quantity, and speed. In addition to our existing development resources, we are actively promoting technological development in our electronic and industrial equipment businesses through the use of our Technology Development Center, which is currently in the planning stage.

### (4) Promoting ESG/SDGs management

In addition to contributing to the protection of a clean global environment and resource conservation through the development and supply of products that control fluids, we also strive to reduce the amount of environmentally hazardous substances and energy consumption generated from the procurement of materials involved in the manufacture of our products to the delivery of those products to our customers.

In addition, the Group has expressed our support for the recommendations made by the Task Force on Climate-related Financial Disclosure (TCFD). Based on these recommendations, we will manage and assess climate change-related risks and opportunities and disclose any appropriate information, while contributing to the decarbonization of markets and society and the enhancement of their resilience to climate change through the development of technologies and the supply of products that play part in climate change mitigation and adaptation.

### (5) Financial strategy

The Company considers the return of profits to shareholders as one of our most important management issues. With regard to dividends, we aim to achieve a dividend payout ratio of 30% or more, which we achieved in fiscal 2021 with 30.3%. We will consider share repurchases, seeking a balance between investment for sustainable growth and the return of profits to shareholders. We will continue to strive for this balance with investment in growth and aim for stable, ongoing, and improved levels of growth.

## Financial Strategy

	BTvision19	(New) BTvision22		
	FY2019 (Final Year) Results	FY2020 Results	FY2021 Results	FY2022 (Final Year) Forecast
Sales	29,213	30,200	40,670	44,000
Operating income	3,683	4,847	11,392	11,800
Operating income ratio	12.6%	16.1%	28.0%	26.8%
ROE	6.2%	7.8%	16.8%	8.0% or higher
Payout ratio	36.8%	34.6%	30.3%	30% or higher
Capital expenditure	(Three-year cumulative) 11,649	972	992	2,000
			3,964	

### Segment Sales

Electronic Equipment Business				
Sales	18,221	20,645	30,410	33,200
Operating income	2,253	4,130	9,737	10,000
Industrial Equipment Business				
Sales	10,915	9,471	10,146	10,800
Operating income	1,404	691	1,589	1,800

### Progress of BTvision22 activities (Basic policies (1) Enhancing business infrastructure (2) Achieving further globalization (3) Creating new businesses)

	Results of FY2021	Action Plan for the Final Year
Electronic Equipment Business	<ul style="list-style-type: none"><li>• Launched “Sweep Elbow,” a new type of joint that contributes to low pressure loss and energy savings</li><li>• Started construction of Fukuchiyama Second Factory</li><li>• Improved yield/productivity through improvements</li><li>• Obtained new Ministerial approval for seismically isolated sliding bearings</li><li>• Proposed and produced prototypes of antenna substrates for 5G</li></ul>	<ul style="list-style-type: none"><li>• Further improve cost competitiveness and supply capacity through activities to reduce defect rates</li><li>• Start up a product line for the semiconductor market in Chuzhou Pillar</li><li>• Expand business areas and increase market share in the semiconductor market</li><li>• Further expand production facilities for semiconductor production equipment</li><li>• Develop new products through industry-government-academia collaboration</li></ul>
Industrial Equipment Business	<ul style="list-style-type: none"><li>• Expanded sales of mechanical seals for precision equipment</li><li>• Delivered products to manufacturers of equipment for the hydrogen market, and promoted trial production and proposals</li><li>• Produced prototype resin fittings for the mass production market</li><li>• Strengthened sales and support capabilities through integration of sales subsidiaries</li></ul>	<ul style="list-style-type: none"><li>• Increase global market share of mass-produced products for the automotive market</li><li>• Strengthen global strategies, including the development of the Chinese market</li><li>• Increase in the share of mechanical seals for precision equipment</li><li>• Build a system to strengthen the repair parts business</li><li>• Develop sealing products for the clean market</li></ul>

### Progress of BTvision22 activities (Basic policies (4) Promoting ESG/SDGs management)

Environment		Society	
●Endorsement of TCFD Recommendations	●Introduction of ICP	●Promotion of Diversity Management	●Health Management
<ul style="list-style-type: none"><li>• Express endorsement of the TCFD in March 2022, recognizing climate change as a crucial management issue</li><li>• Set the long-term goal of virtually zero CO<sub>2</sub> emissions by fiscal 2050</li></ul>	<ul style="list-style-type: none"><li>• Introduce an Internal Carbon Pricing (ICP) system for investments in projects and facilities to stimulate internal discussions on low-carbon initiatives</li><li>• CO<sub>2</sub>/t = 9,200 yen (as of October 2021)</li></ul>	<ul style="list-style-type: none"><li>• Set target for percentage of women in management positions: by 2025 = 5% by 2030 = 10% Note: Percentage of female managers among all managers</li><li>• Employment of people with disabilities Promote and maintain employment that exceeds the legally mandated employment rate</li></ul>	<ul style="list-style-type: none"><li>• Formulation of Health Management Declaration</li><li>• Conducted three rounds of COVID-19 vaccination at workplaces</li></ul>



Materiality of Nippon Pillar Packing

With the aim of contributing to a sustainable society by practicing our corporate principles, Quality First, Cooperation and Harmony, and Steady Research, the Nippon Pillar Packing Group—under the slogan CLEAN, SAFETY, and FRONTIER—is working toward the goal of creating a future that will support society. As part of these efforts, we have identified materialities that we are committed to engaging in with the fluid control technology we have refined up to now.

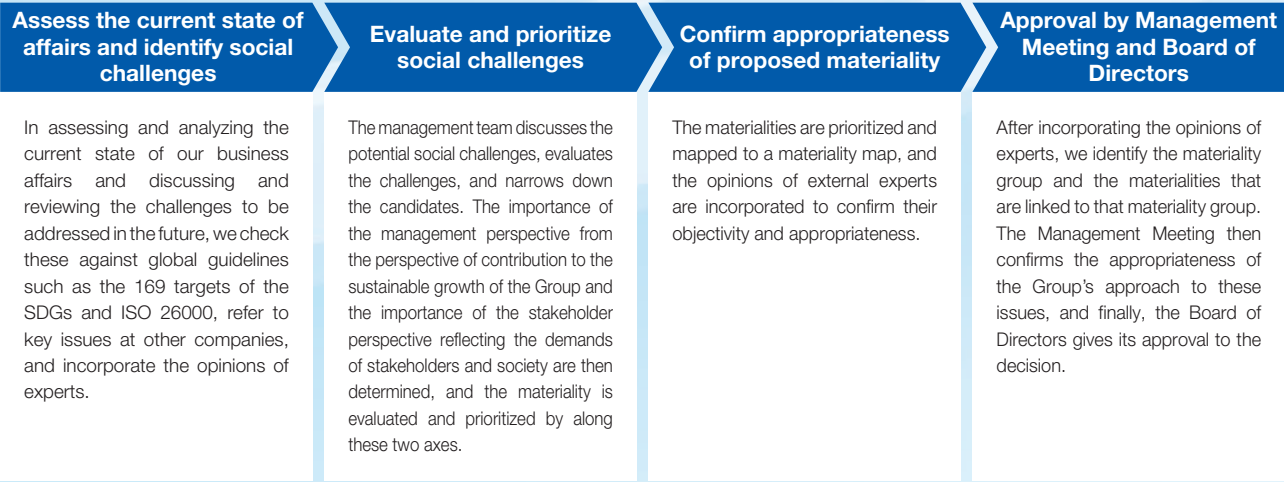
Materiality for Nippon Pillar Packing

The Nippon Pillar Packing Group has identified materialities that the Group should address in order to both contribute to a sustainable society through our business and to achieve the sustainable enhancement of our corporate value, as stated in the Sustainable Policy.

These identified materialities will serve as a guidepost for our Group’s business activities, helping us to create a positive impact on society and the environment through our business

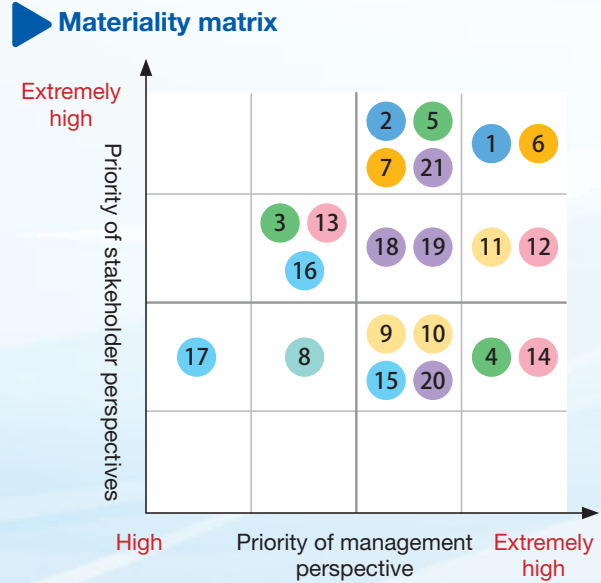
Materiality identification process

In identifying materialities for the Nippon Pillar Packing Group’s, we begin by assessing the current state of affairs and identifying social challenges. Then, after evaluating and prioritizing social challenges, we confirm the appropriateness of the proposed materiality by drawing on the opinions of experts. Finally, the identified materiality groups and content are approved and determined by the Management Meeting and the Board of Directors.



activities, or to reduce the negative impact our Group has on these realms.

We will review and revise these materialities from time to time based on the business environment in which our Group operates, changes in the needs of social challenges globally, and advice received through dialogue with our stakeholders. In addition, we will set targets for addressing these materialities.



Nippon Pillar Packing Group’s Materiality and Related SDGs

E	S	G	Materiality Group	Materiality	Related SDGs
			Decarbonization and energy saving	1 Development and manufacture of products through the use of fluid control technology and material technology, etc., to enable decarbonization and energy conservation	7, 9, 12, 13
				2 Expanding clean energy and energy savings in manufacturing	7, 9, 12, 13
			Circular economy and resource conservation	3 Development and manufacturing of sealing products using IT/DX technology and sustainable raw materials	3, 8, 9, 12, 13
				4 Development and manufacture of resource-conserving products	7, 8, 9, 12, 13
				5 Resource efficiency and sustainability through improved production technology (IT/DX, automation), etc. and 3Rs of waste	8, 9, 12
			Prevention of chemical pollution and conservation of water resources	6 Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources	3, 4, 6, 8, 11, 12, 14
				7 Prevention of chemical pollution in manufacturing and conservation of water resources	3, 6, 11, 12, 14
			Biodiversity conservation	8 Promoting biodiversity conservation at each site	14, 15
			Product development and manufacturing in response to social issues	9 Development and manufacture of products to cope with disasters such as earthquakes and floods	1, 9, 11, 13
				10 Development and manufacturing of new products by applying technology to meet market needs (sensor business, IoT utilization, etc.)	3, 8, 9, 11, 12
				11 Pursuit of safety and quality assurance of product services	8
			Creation of workplaces that enable diverse human resources to grow and succeed	12 Occupational safety and health	3, 8
				13 Respecting human rights and promoting diverse human resources and work styles	3, 4, 5, 8, 10, 16
				14 Human resource development, recruitment and retention	4, 5, 8
			Living in harmony with the world and society	15 Creating innovation through industry-government-academia collaboration	8, 9, 17
				16 Promoting CSR procurement	1, 8, 10, 12, 13, 16, 17
				17 Contribution to regional and community development	4, 11, 17
			Establishing transparent and responsible governance	18 Ensuring board independence and transparency	16
				19 Establishing a system for managing potential risks in business activities	3, 11, 13, 16
				20 Implementing Corporate Principles and integrity	5, 8, 10, 13, 16, 17
				21 Corruption prevention	16





## Electronic Equipment Business

**Rapid expansion of the global semiconductor market has led to an increase in products for semiconductor production equipment, and we are working to increase production capacity.**

While the demand for our products is rapidly increasing due to the rapid expansion of investment in new semiconductor factories, we are also facing a shortage of fluorocarbon polymer, a raw material for our products. We will continue to provide value-added products by strengthening our production system and working to solve the challenges our customers face through the use of fluid control technology, the technology that started us off.

Executive Officer General manager,  
Sales Headquarters and Overseas Division

**Toyokazu Serita**

### Business Overview and Market Environment

This business supplies fittings, pumps, tubes, and other products for chemical solution transfer piping in a wide range of fields, from cutting-edge semiconductor applications to general-purpose semiconductors for automobiles and other applications, such as OLED panels. Although the chemicals used are highly hazardous to the human body, such as strong acids and alkalis, we provide safety and security to the semiconductor manufacturing sites that support societal infrastructure through the development of our proprietary technologies.

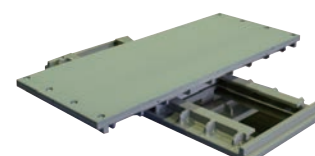
The advanced semiconductor industry is transforming from a global division of labor to manufacturing as a strategic commodity, and we are developing our business in line with the trends in each region.

The global shortage of semiconductors over the past few years has been accelerated by the spread of COVID-19, and product shortages have become apparent in the automotive and consumer electronics sectors, leading to an unprecedented expansion of investment in new semiconductor

factory construction in fiscal 2021. While the demand for our products also surged and contributed greatly to our business performance, the shortage of fluorocarbon polymers, which are used as materials for our products, has become a major issue due to the prolonged period of large-scale semiconductor investment. Demand continues to grow, and we intend to respond promptly to production.



Pillars Spera 300  
Pulsation-free Bellows Pump



UNI-TON™ Bearing System

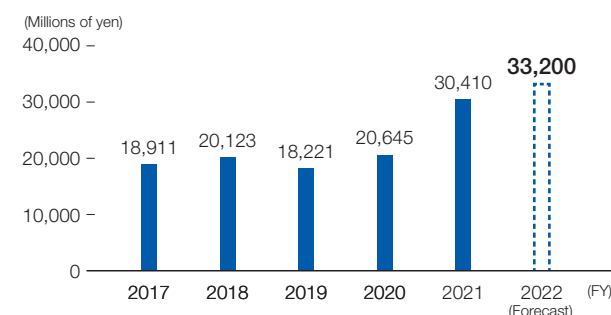


Super 300 Type  
Pillar Fitting

### Progress of Medium-Term Management Plan “BTvision22”

This business was able to meet the rapid increase in demand by utilizing equipment that was installed ahead of time in anticipation of the expansion of semiconductor capital investment, and achieved the final year target of the plan one year ahead of schedule. We have also begun construction of Fukuchiyama Second Factory and are preparing for future increases in production. Challenges include further acceleration of product development as well as resolving material shortages. In addition, as efforts to develop cutting-edge technologies advance, energy conservation is also accelerating in energy-consuming

Sales transition graph



## TOPICS



### Construction of Fukuchiyama Second Factory to increase production capacity

In order to respond to further expansion of demand for products for the electronic equipment business market, we will construct Fukuchiyama Second Factory in Fukuchiyama City, Kyoto Prefecture. The maximum production capacity resulting from this investment is expected to increase by up to 80% over our total production capacity, including the Kyushu Factory.

We also plan to flexibly expand our production capacity, as we possess an expansion area that can accommodate the construction of three more factories of the same scale.



Pillar Technology  
[Chuzhou]

### Strengthen overseas development by expanding sales and production bases

We are strengthening our bases in order to respond to the US and Chinese markets, which are expected to expand further in the future.

In the U.S.A., a simple lab was set up in the Fremont Office to accommodate the development needs of semiconductor equipment manufacturers, and warehouse space was tripled.

In China, in addition to the existing production of products for the industrial equipment-related market, the Chuzhou Factory will begin production of resin products for the electronic equipment-related market.

Nippon Pillar Corporation  
of America, Fremont  
Office



semiconductor factories, and we will respond appropriately to these trends by introducing products that contribute to energy conservation, such as Sweep Elbow. First, we plan to make capital investments at our three bases in Japan, the U.S.A. and China to increase production of our mainstay product line—fittings-related products. In new fields, we have

begun to develop applications in the sensing field in addition to telecommunications for automotive applications using fluorocarbon polymer substrates. In addition, with the aim of deepening the semiconductor market overseas, we plan to establish a new sales base in China and expand our US sales base in a bid to strengthen sales.

### Future Tasks and Goals

This business will provide value-added products to customers and offer safety and security to society by working to solve the challenges our customers face through the use of fluid control technology, the technology that started us off. For example, we will work to solve the shortage of raw materials by proposing alternative materials and designs through discussions with customers, and promote the development

of new products. Since our founding, we have expanded our business domain with fluid control technology in a market that has grown with the changing times. We will continue to expand our business domain with “technology to control fluids” in a market that is growing with the changing times. We will continue to progress down this path, always looking ahead with the aim of serving society with our technology.

### Materialities we focus on

- Development and manufacture of products that enable decarbonization and energy conservation through the use of fluid control technology, etc.
- Expanding clean energy and energy savings in manufacturing
- Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources
- Pursuit of safety and quality assurance of product services





## Industrial Equipment Business

**While products for the petroleum refining and electric power markets remained sluggish due to the trend toward decarbonization, products for the semiconductor market expanded.**

We will work to cultivate new markets and new applications, develop new products, and promote the development of new technologies that can contribute to the reduction of negative impacts on the environment. We will also help create a new society, including existing markets, with infrastructure technology to control fluids, and aim to become a familiar name to all of our customers.

Executive Officer General Manager,  
Engineering Headquarters

**Masato Wada**

### Business and Market Environment

This business provides products that control fluids at all kinds of manufacturing sites, including petroleum plants and LNG plants. In particular, along with the design and development of mechanical seals, gland packings, and gaskets targeting the industrial equipment market, we are focusing on the design and development of products targeting the new energy market using hydrogen and ammonia, etc. and the mass production market centered on automobiles, based on our basic policy of pursuing growth markets. In fiscal 2021, the business environment was still affected by the spread of COVID-19, and the market showed signs of instability due to raw material shortages and price hikes with no recovery due to overseas conditions and other factors. Sales of mechanical seals, gland packing, and gaskets were sluggish for products for oil refinery plants and the electric power market due to the ongoing decarbonization trend, while products for automotive applications were affected by the pandemic and

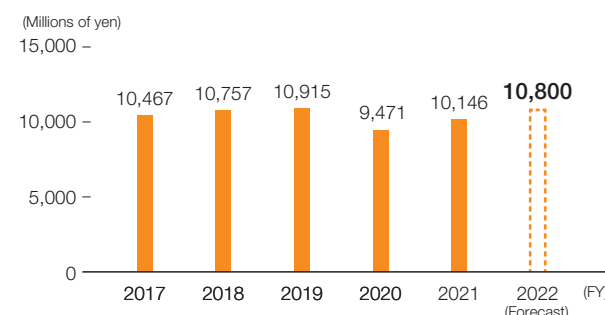
the shortage in semiconductors. Despite this environment, however, sales of products for chemical-related and marine applications in Japan have expanded, while demand for repair parts, including overseas, and products for precision equipment devices related to the semiconductor market have remained strong.



### Progress of Medium-Term Management Plan "BTvision22"

With the recent progress of decarbonization in the electric power market, we are developing new products for hydrogen and ammonia power generation, as well as for CO<sub>2</sub> capture facilities in thermal power generation. We will also actively promote the development of new products for hydrogen stations and BEVs (Battery Electric Vehicles) and FCVs (Fuel Cell Vehicles) in order to bring about a decarbonized society. In the water market, we are developing high-load seals with environmentally friendly designs and products for the large water use market. In terms of deepening globalization, we are expanding our production base in China to improve our product supply system for the market there and to strengthen

Sales transition graph



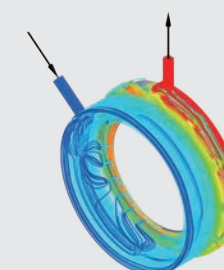
## TOPICS



### Launch of Pillar Seal Solutions

Effective April 1, 2022, seven of our sales companies were reorganized to form Pillar Seal Solutions Co., Ltd.

From seven sales offices (Chiba, Kawasaki, Chubu, Shiga, Sakai, Okayama, and Yamaguchi), we sell sealing products for industrial machinery and Pilaflon™ (fluorocarbon polymers) products to users in Japan. We also provide consulting services for sealing products, including life extension and safety measures, in addition to mechanical seal repair services, which allows us to serve as a familiar and reliable comprehensive seal manufacturer sales company.



Circulation characteristics analysis of MS self-circulating flushing water

### Newly established IT and DX technology group for the use of new technologies

The IT/DX Technology Group was newly established to respond to the increasing digitalization of society.

From the upstream stage of the product development process, we aim to reduce development costs and shorten development time by optimizing the entire process through analysis (simulation) based on computer-generated models. In addition, through product development, we will update thermal, fluid, and structural analysis technologies and accumulate manufacturing knowledge and data to promote the evolution of IT and DX technologies. Furthermore, we will make steady efforts to develop human resources by practicing both theory and experimentation.

the production responsiveness of the entire Group.

We also plan to strengthen our global responsiveness by dispatching engineers to our overseas bases on a rotating

basis, while at the same time we work to improve customer satisfaction.

### Future Tasks and Goals

In addition to products for the semiconductor market, we will work to develop new products that will become further mainstays of our business and to cultivate new markets and new applications in depth. We will also strive to enhance the value of existing products, such as sliding surface non-contact seals (gas seals) with low power consumption, large split seals that have a proven track record in hydroelectric power plants, and the EDP series of highly airtight packing that complies with US environmental regulations. We are proud that our products are highly compatible with ESG/SDGs due to our longstanding strengths in environmental friendliness and high safety performance, and we will continue to aim to be

an indispensable presence in various markets such as energy, infrastructure, and automobiles. We also believe that material development is important for the development of sealing products, and we plan to work hard on the development of our own materials in the newly established Material Development Group in fiscal 2022. We will continue to develop new technologies that help reduce negative impacts on the environment, as well as serve society with our fluid control technologies in the existing market. Through technologies that contribute to carbon neutrality and the SDGs, and by supplying value-added products and support systems, we aim to become a familiar name to all of our customers.

### Materialities we focus on

- Development and manufacture of products that enable decarbonization and energy conservation through the use of fluid control technology, etc.
- Development and manufacture of resource-conserving products
- Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources
- Pursuit of safety and quality assurance of product services





We have an integrated system from material development to production by refining our technology and people.



Sanda Factory

Mechanical seals	Gland packing/Gaskets	Showroom	R&D
Circulation	Analysis center	Technology training center	

Located in Sanda City, Hyogo Prefecture, the 43,000 m<sup>2</sup> site is our mother factory, mainly producing mechanical seals and gland packing, and also has research and development functions. Our Sanda location was reborn as a state-of-the-art, safe and environmentally friendly factory after undergoing its first renovation in 50 years. In addition to strengthening our competitiveness through automation and IT, we are working to further develop the technologies we have cultivated and to develop new products to meet the demands of the market.

1 Technology training center

The technology training center provides training to acquire product knowledge for our employees, including new and mid-career hires. The center is also used as a place to learn practical techniques using actual equipment by inviting our sales partners, subcontractors, and distributors who handle our products.



2 Analysis center

In addition to supporting the quality of our products as an in-house analysis facility, we also operate it as a place of learning where our engineers can learn analysis techniques. This enables us to provide services that meet the needs of our customers, such as the ability to perform appropriate analysis by the designers themselves, and the ability to respond quickly to various analysis requests through the consolidation and integration of analysis equipment. In addition, by accumulating a vast amount of analysis data, we are able to utilize it for long-term problem solving and product development.



3 Showroom

In line with the renewal of the factory after almost 50 years, the showroom has been completely redesigned to strengthen our sales activities for customers who come to visit the factory. Starting with gland packing, the showroom is an impressive representation of how our business has expanded into various fields by focusing on new materials and providing products that meet the needs of the times. Many of the products on display can be actually touched and moved, making it easier for both professionals and the general public to understand the functions and effects of our products visually and experientially.



Our Group's products are used as important functional components in a wide range of industrial fields, including semiconductors, electric power, petroleum and pharmaceuticals. Since the specifications differ depending on the application, optimal design and production are required for each product. Therefore, we secure the materials we need to manufacture internally what we require, and achieve higher quality products through in-house integrated production of all processes.



Fukuchiyama Factory

Mechanical seals	Gland packing/Gaskets	Showroom	R&D
Circulation	Analysis center	Technology training center	

With a site that measures about 39,000 m<sup>2</sup> in Fukuchiyama City, Kyoto Prefecture, our Fukuchiyama Factory produces Pilaflon™ products such as fittings and pumps mainly for semiconductor and LCD manufacturing equipment, as well as fine ceramics products such as silicon carbide (SiC). In order to keep up with rapidly evolving semiconductor technology, the factory also has a research and development department, and plays the role of the second mother factory.



Kyushu Factory

Mechanical seals	Gland packing/Gaskets	Showroom	R&D
Circulation	Analysis center	Technology training center	

With a site measuring approximately 18,000 m<sup>2</sup>, our Kyushu Factory is located in Koshi City, Kumamoto Prefecture. There we design, produce, and assemble products mainly for semiconductor manufacturing equipment. The factory is located in the Semicon Technopark in Kumamoto Prefecture, where the semiconductor industry is concentrated, and provides high-quality products with a speedy production system to respond immediately to customer orders.

Column

Fukuchiyama Second Factory—where we showcase our technology

Looking ahead to the upcoming 100th anniversary of our founding as well as the next 100 years, we are moving forward with the construction of Fukuchiyama Second Factory, which will serve as the core factory for our Company.

Concept

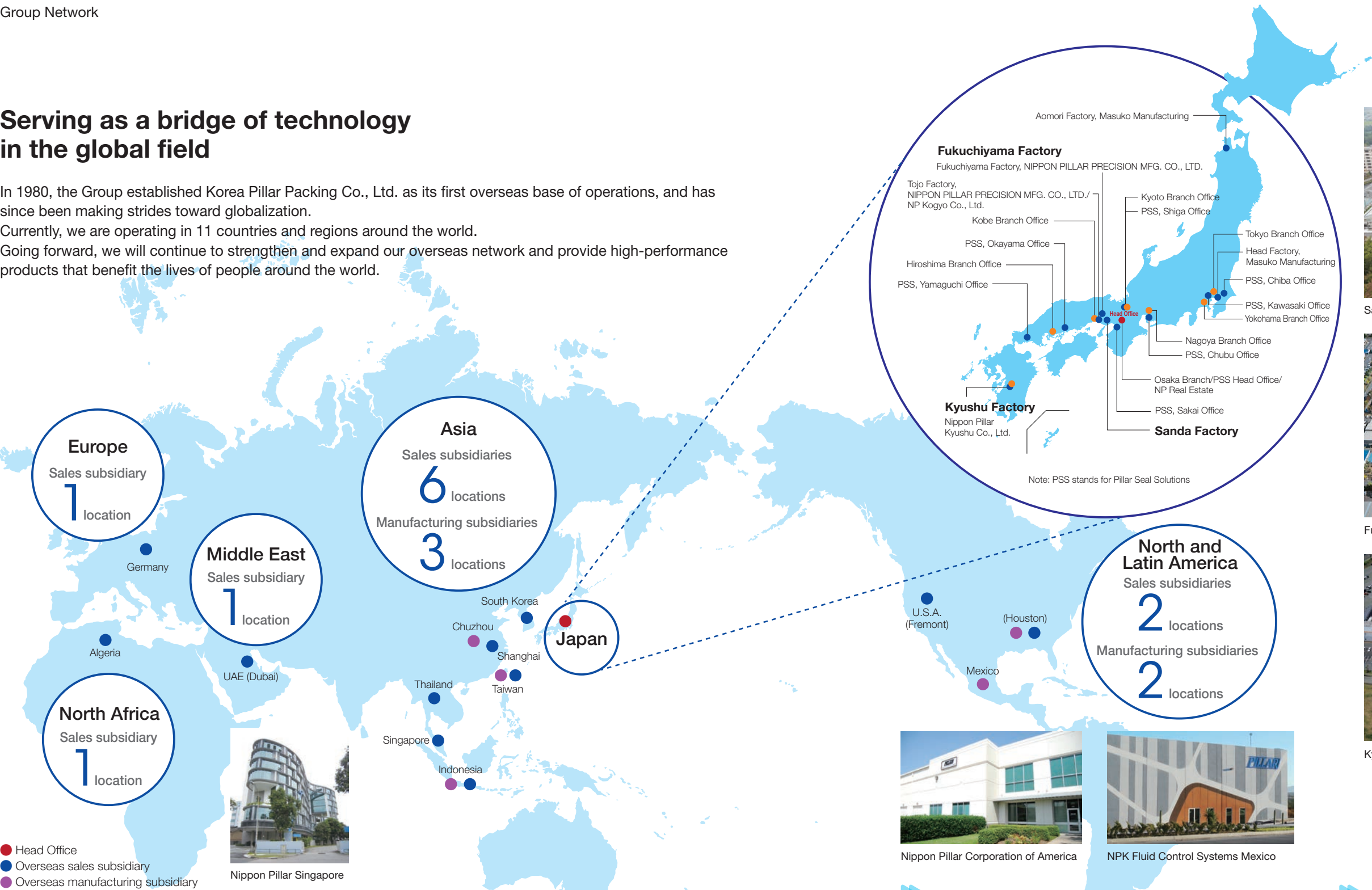
- Strengthening cost competitiveness by establishing a new production system
- Responding to strict quality requirements from customers
- A spacious factory to showcase our technology





Serving as a bridge of technology in the global field

In 1980, the Group established Korea Pillar Packing Co., Ltd. as its first overseas base of operations, and has since been making strides toward globalization. Currently, we are operating in 11 countries and regions around the world. Going forward, we will continue to strengthen and expand our overseas network and provide high-performance products that benefit the lives of people around the world.



Sanda Factory



Fukuchiyama Factory



Kyushu Factory



Nippon Pillar Corporation of America



NPK Fluid Control Systems Mexico

List of domestic sites

- 〈Factories and business locations〉  
Sanda Factory (Sanda City, Hyogo Prefecture)  
Fukuchiyama Factory (Fukuchiyama City, Kyoto Prefecture)  
Kyushu Factory (Koshi City, Kumamoto Prefecture)

- 〈Branch offices〉  
Tokyo Branch Office  
Yokohama Branch Office  
Nagoya Branch Office  
Kyoto Branch Office  
Osaka Branch Office  
Kobe Branch Office  
Hiroshima Branch Office  
Kyushu Branch Office

- 〈Domestic Group companies〉  
Pillar Seal Solutions Co., Ltd.  
NP Real Estate  
NIPPON PILLAR PRECISION MFG. CO., LTD.  
NP Kogyo Co., Ltd.  
Nippon Pillar Kyushu Co., Ltd.  
Masuko Manufacturing Co., Ltd.

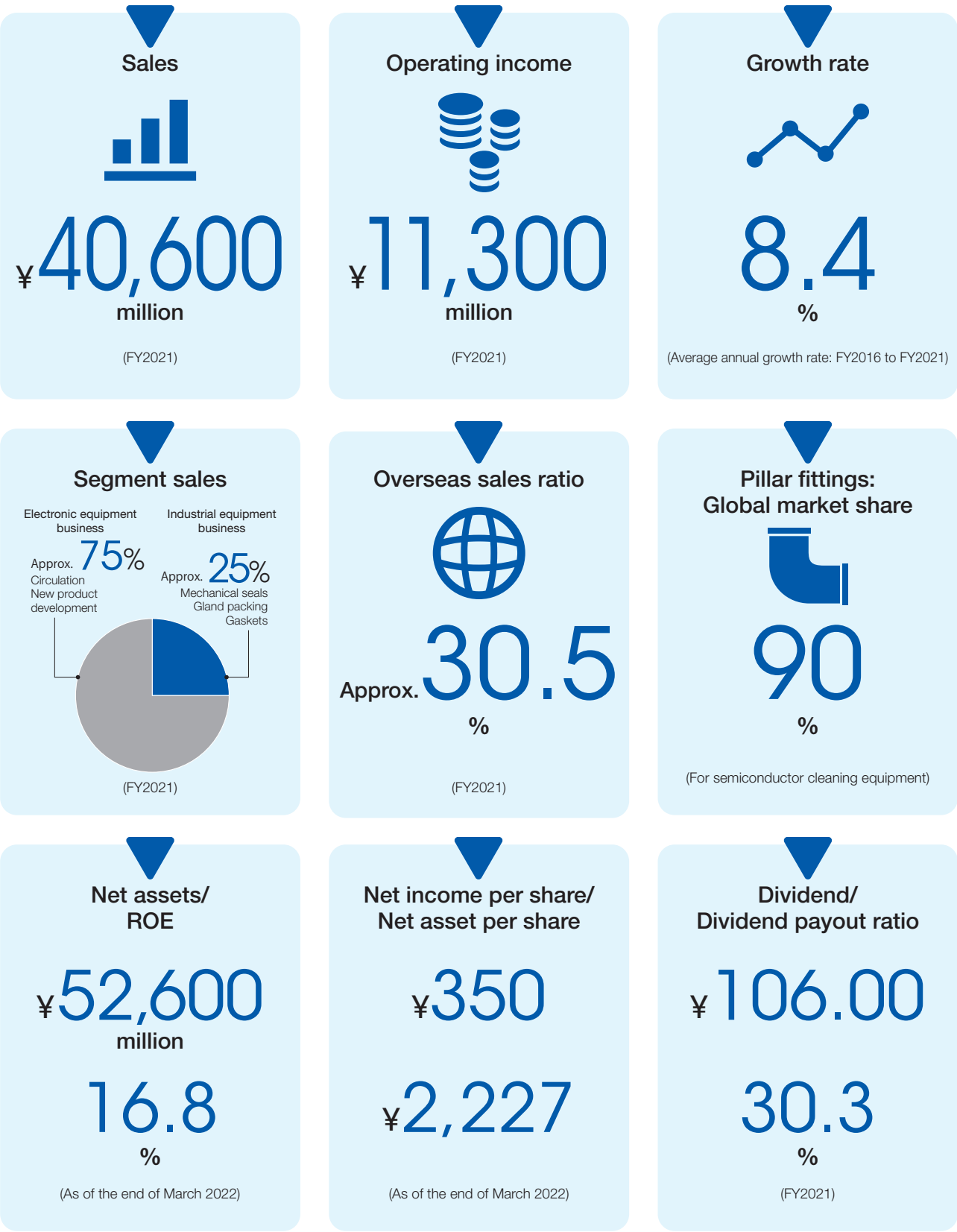
List of overseas sites

- Nippon Pillar Singapore Pte. Ltd.  
PT. Nippon Pillar Manufacturing Indonesia  
PT. Nippon Pillar Indonesia  
Nippon Pillar (Thailand) Co., Ltd.  
Taiwan Pillar Industry Co., Ltd.  
Pillar Technology (Chuzhou) Co., Ltd.  
Suzhou Pillar Industry Co., Ltd.  
Shanghai Pillar Trading Co., Ltd.  
Korea Pillar Packing Co., Ltd.  
Nippon Pillar Middle East FZCO  
NIPPON PILLAR CORPORATION OF AMERICA Houston Office  
NIPPON PILLAR CORPORATION OF AMERICA Fremont Office  
NPK Fluid Control Systems Mexico S.A. de C.V.  
Nippon Pillar Europe GmbH



Nippon Pillar Packing by the numbers

Financial Data



Non-Financial Data







Nippon Pillar Packing adopted a corporate system that includes an Audit & Supervisory Committee in 2017, welcoming individuals with special expertise as outside directors. Kazumitsu Takaya and Kyoko Kobayashi both have the title of Outside Director (Audit & Supervisory Committee member). They joined President Yoshinobu Iwanami to discuss Nippon Pillar Packing’s corporate governance and auditing that emphasizes the viewpoint of stakeholders.

Expert opinions based on career experience

**Iwanami:** We look forward to maximizing our growth opportunities with the support of outside directors. Director Takaya is a certified public accountant and he brings management experience from other companies to the table, based on which we are confident he will contribute to our success.

**Takaya:** I have been an outside director now for three years. In my experience, the Company is one that takes steady, sure steps. Although Board meetings are held infrequently, when they do take place, there is a good focus on important topics that are discussed well, and the system of governance is organized and well-developed.

**Iwanami:** It is good to have Director Kobayashi as a legal specialist who can give us advice on potential risks in our global business efforts, such as contract risks and harassment, which is then reflected in our management.

**Kobayashi:** My mandate is to provide feedback using the fair amount of experience and knowledge I have acquired over the years as an attorney. The Company has a history and business record of nearly 100 years, but it should not rest on its laurels. I would like to see it take on challenges in new fields and aim to grow.

**Iwanami:** One of the things I always say is that our tradition is to continue innovating. To write the next chapter in our history we must not get caught in the rut of habitual ways of doing

things. Instead, we need to manage the Company to meet the trends of the times and the needs of the marketplace.

**Kobayashi:** The Company has a good mix of outside directors and a system in place to incorporate outside views. When the Board of Directors’ meeting was held at the Sanda Factory, we also toured the factory. When I was appointed to the Board, I visited all of the factories to gain an understanding of the business and get a solid grasp of the Company’s present situation.

**Iwanami:** We have all of our newly appointed outside directors tour our factories. That is because our approach is fundamentally based on the things we produce and we want to get advice that is grounded in that production floor reality, even from outside people.

**Takaya:** I have been involved in auditing for a long time, and I can say that the Company has good governance and is making good progress in its capital investments.

Fulfilling our social responsibility by promoting ESG management

**Iwanami:** With the restructuring of the Tokyo Stock Exchange in April 2022, our Company transitioned over to the Prime Market. Also, with the revision of the Corporate Governance Code, there are now additional issues that we need to address as a company. TCFD measures included, we are getting calls from outside to shift away from using the same old methods

and approaches and to find new ways of doing things. Making such changes may lead to higher costs, but we feel it is vital to take measures that strike a balance between meeting others’ expectations and boosting our competitiveness, which will lead to growth.

**Kobayashi:** Disclosures in accordance with the TCFD must of course be ongoing, but the Company website features sustainability on the top page and demonstrates a proactive stance on ESG and the SDGs. The Company has a track record of putting ESG principles into practice while maintaining a balance with the increased costs, and it is well-positioned to be able to do both.

**Takaya:** The Company’s focus on the SDGs is quite clear. At the same time, those efforts need to be translated into revenue opportunities.

**Iwanami:** As calls for sustainability take center stage worldwide, I am again reminded of the importance of seeing this as an opportunity. This fiscal year we identified our materiality issues and categorized them, and we are focusing on the contributions we can make through our products and services and the processes used in creating them while incorporating external perspectives.

**Kobayashi:** A company can do nothing without its employees, so I would like to see us continue to take proper action to ensure that the workplace supports the growth and active participation of a diverse range of people, which includes women’s advancement.

**Takaya:** The contribution targets are in line with stakeholder interests, I believe. As members of the Audit & Supervisory Committee, we must be sure not to miss any signs of irregularities in the course of our audits. If any such irregularities become apparent, we are obliged to share them immediately and deal with them promptly without fear of criticism.

**Iwanami:** To date, we have been doing business in a proper manner, avoiding harm to our reputation. But a larger scale of business means taking on new challenges and extending into unknown areas with more employees and suppliers. This often comes with dormant risks. At such times, I feel it is necessary to seek the opinions of experts and proceed properly.

Further strengthening group governance to accompany globalization

**Iwanami:** Group governance is becoming increasingly important as we continue to increase the number of overseas sites. Faced with differing social conventions and laws, we have created a “management book” to provide guidance to those overseas offices. We will also work to incorporate objective checks by the Internal Audit Office using online interactivity.

**Takaya:** To be sure, irregularities are on the rise at overseas sites. Part of the problem is the concentration of authority when operations are carried out by a small number of individuals. So it is important to check to be sure that no business pressure



is being exerted on the company, to monitor performance trends carefully, and expand the function of checking while assigning human resources for that purpose, and not allow the concentration of authority.

**Kobayashi:** Every global company struggles with the management of its overseas subsidiaries. There is no single solution that can be applied here. Rather, it is vital to pursue a number of different measures on an ongoing basis.

**Iwanami:** We will keep these things in mind as we go forward.

Thoughts on the Group Code of Conduct “Good to Better, Better to the Best”

**Iwanami:** The leaders of a company must have a vision of what they want the company to be, and pursue results a step at a time by handling everyday tasks with plain honesty. This stance will allow the group’s members to make steady forward progress toward growth. We established the new Group Code of Conduct this fiscal year based on such ideas.

**Takaya:** It is important never to rest on one’s laurels. One must seize opportunities but also do so with a realistic view of what can be achieved and control the risks.

**Kobayashi:** For the growth of the Company and its employees, it is important to seize opportunities with the goal in mind of how you want the business to develop and what kind of company you want to have. When such matters are discussed at Board meetings, I would like to share my views based on an assessment of how we are evolving, with an awareness of the balance between scale/extent of growth and maintaining the direction that management has established.

**Iwanami:** Our products and technologies cover quite a wide range of business domains. I believe we will be able to boost the value of the Company to society if we continue working to develop cutting-edge technologies to ensure safety and protect the environment in the area of fluid control, carrying on the mission of the Company’s founders. Thank you very much for your time today.



# Governance

Enhancing Corporate Value

## Ensuring Board Independence and Transparency

### Basic Approach

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

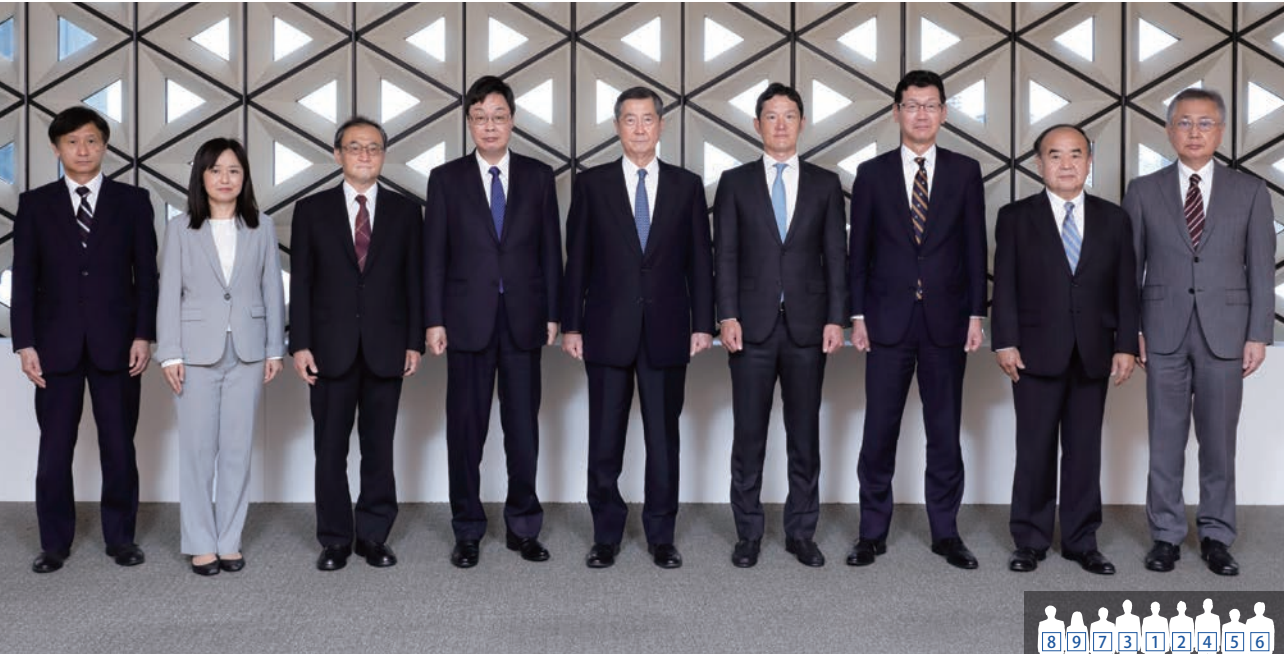
organizations and internal controls so that sound, transparent decision-making can be conducted quickly. Corporate governance fundamentally is not only compliance with laws and regulations but also consists of promoting business activities that respect corporate ethics, morality, and fairness and developing smooth, disciplined and cooperative relationships with all stakeholders.

### Governance Summary

Format of governance organization	Advisory body to Board of Directors	Number of directors (excluding directors who are Audit & Supervisory Committee members)
Company with an Audit & Supervisory Committee	Independent committees	6 (including 2 outside directors)
Number of directors who are Audit & Supervisory Committee members	Number of independent directors including Audit & Supervisory Committee members	Number of Board of Directors meetings in fiscal 2021
3 (including 2 outside directors)	4	7
Term of office for directors (excluding directors who are Audit & Supervisory Committee members)	Performance-linked remuneration	Takeover defense measures
1 year	Provided	Implemented

### Executive Skills Matrix

	Name	External	Corporate management	Production/Technology/Development	Sales	Overseas business	Finance/Accounting	Legal affairs
Directors	Kiyohisa Iwanami		●	●	●	●		
	Yoshinobu Iwanami		●	●	●	●		
	Ikuo Hoshikawa		●	●		●		
	Katsuhiko Shukunami		●				●	
	Yoshinori Suzuki	●	●	●	●	●	●	
	Junichi Komamura	●	●	●	●	●		
Directors who are Audit & Supervisory Committee members	Kazuhiro Maruoka						●	
	Kazumitsu Takaya	●					●	
	Kyoko Kobayashi	●						●



<b>1</b> Chairman & CEO Kiyohisa Iwanami	<b>2</b> President Yoshinobu Iwanami	<b>3</b> Director, Senior Executive Officer Ikuo Hoshikawa
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)	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)	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)
<b>4</b> Director, Senior Executive Officer Katsuhiko Shukunami	<b>5</b> Outside Director Yoshinori Suzuki	<b>6</b> Outside Director Junichi Komamura
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 (present) Jun. 2020 Senior Executive Officer (to present)	Apr. 1975 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation) Jun. 2003 Executive Officer Jun. 2006 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)	Apr. 1973 Joined Mitsubishi Corporation Apr. 1996 Director, Mitsubishi Corporation's Italian and UK portfolio companies Aug. 2003 Executive Officer, Morishta 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, AnGes, Inc. (to present) May 2020 Outside Director, TOKAI BUSSAN CO., LTD. (to present) Jun. 2020 Outside Director of the Company (to present)
<b>7</b> Director (Audit & Supervisory Committee member) Kazuhiro Maruoka	<b>8</b> Outside Director (Audit & Supervisory Committee member) Kazumitsu Takaya	<b>9</b> Outside Director (Audit & Supervisory Committee member) Kyoko Kobayashi
Jul. 2009 Joined the Company Mar. 2011 General Manager, Accounting & Financial Department Jun. 2018 Director (Full-Time Audit & Supervisory Committee member) (to present)	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 (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)	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 Pain Manufacturing Co., Ltd. (to present) Jan. 2020 Partner of Irokawa Legal Professional Corporation (current) Jun. 2020 Outside Director of Mitsubishi Logisnext 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>Sadamitsu Yamauchi</b> Managing Executive Officer, Process Dept., Seismic Isolation Headquarters	Executive Officer <b>Masaki Miyamoto</b> General Manager, 1st Sales Dept., Sales Headquarters, and Sales Engineering Dept.
	Executive Officer <b>Masato Wada</b> General Manager, Engineering Headquarters	Executive Officer <b>Masaki Shibaike</b> General Manager, Production Headquarters
	Executive Officer <b>Toyokazu Serita</b> General Manager, Sales Headquarters and Overseas Division	Executive Officer <b>Masaru Fujiwara</b> General Manager, Production & Engineering Headquarters, Fukuchiyama Production Engineering Dept., and Fukuchiyama Factory



Corporate Governance System

As a company with an Audit & Supervisory Committee, we have adopted the following structure to further strengthen the functions of the Board of Directors, thereby enhancing corporate governance and boosting corporate value.

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 supervisory 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

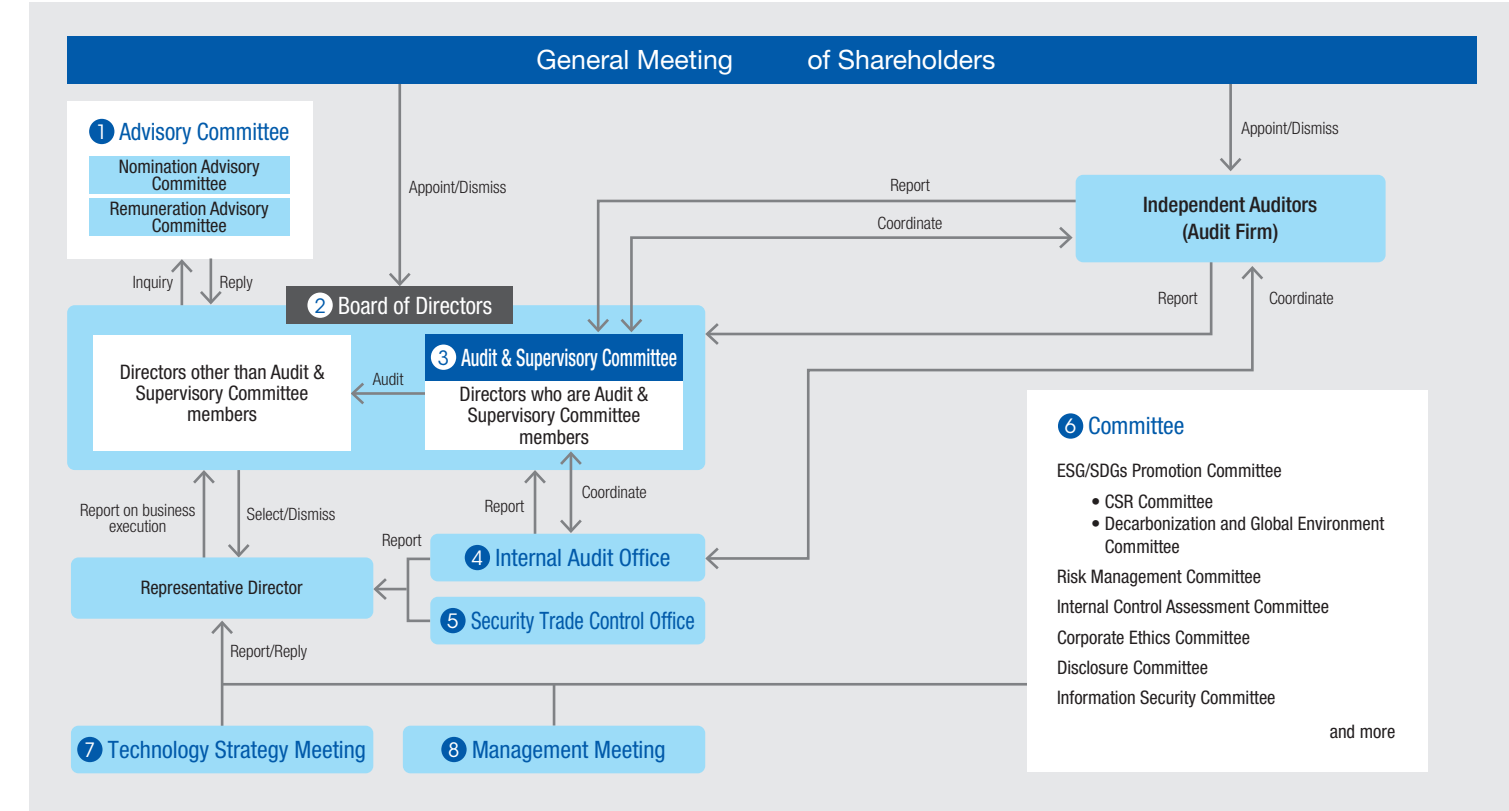
The Remuneration Advisory Committee deliberates on matters pertaining to the remuneration structure for directors, policies for determining their remuneration, contents of remuneration, and reports to the Board of Directors.

2 Board of Directors 9 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, and their opinions are sought based on their wide-ranging knowledge and experience 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.

Self-Assessment by the Board of Directors

In order to further improve the effectiveness of the Board of Directors, in fiscal 2021, the Company carried out a questionnaire survey of each director regarding "composition and operation of the Board of Directors," "management strategy and business strategy," "corporate ethics and risk/crisis management," "performance monitoring and management assessment," and other issues, analyzed and assessed the effectiveness of the Board of Directors, and the results were shared and discussed at the Board meeting. In order to gather frank opinions from the directors and to make a more objective assessment, an outside organization was used to compile and analyze the questionnaires. As a result, the Board of Directors of the Company was generally assessed positively, and it was confirmed that the Board of Directors, in particular, is composed



7 Technology Strategy Meeting

The Technology Strategy Meeting discusses strategic issues related to management and technology.

8 Management Meeting

The Management Meeting reports and reviews business execution and deliberates on important matters.

6 Committee

ESG/SDGs Promotion Committee

In April 2021, the ESG/SDGs Promotion Committee was established as a higher-level organization to the CSR Committee and the Decarbonization and Global Environment Committee to oversee and promote activities related not only to corporate social responsibility but also to the environment, corporate governance, and the SDGs, thereby enhancing the effectiveness of our efforts to achieve sustainable development in harmony with society.

Decarbonization and Global Environment Committee

We have established an environmental management system, headed by an executive officer in charge of the environment. We oversee the environmental management system and work to reduce regional and global negative impacts on the environment.

Risk Management Committee

In the event of a crisis related to corporate business continuity, this Committee has been established for quick response and early containment, and has made efforts to respond in advance and after the fact by enacting Crisis Management Rules.

3 Audit & Supervisory Committee 3 directors

Nippon Pillar Packing 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 Internal Audit Office

In addition to audits by directors who are members of the Audit & Supervisory Committee, this Office has been established to conduct internal audits from the perspective of legality and propriety.

5 Security Trade Control Office

For control of products with export restrictions, we have established the Security Trade Control Office and are taking every possible measure in this area.

Internal Control Assessment Committee

The Company has established the Internal Control Assessment Committee in response to the internal control system for financial reporting and conducts internal control assessments for the Group.

Corporate Ethics Committee

The Corporate Ethics Committee has been established to ensure compliance with laws and regulations and to improve corporate ethics. We have established the Corporate Code of Ethics as a code of conduct for all employees, and have formulated the Group Code of Conduct as a specific set of standards.

Disclosure Committee

The Disclosure Committee has been established to ensure timely and appropriate disclosure.

Information Security Committee

The Information Security Committee is in place to improve information security.

▶ Appointment of Outside Directors

The Company has four outside directors, two of which are members of the Audit & Supervisory Committee.

Outside directors shall have no personal, capital, business or other interests in the Company. In addition, in cases where outside directors concurrently hold positions at companies other than the Company, there shall be no significant transactions or other interests between those companies and the Company.

▶ Officer Remuneration

Based on a resolution of the Ordinary General Meeting of Shareholders on June 23, 2017, monetary remuneration for the Company's directors (excluding those who serve on the Audit & Supervisory Committee) has been limited to an annual remuneration of 240 million yen or less. There are six directors to whom this applies.

In addition to the said monetary remuneration, restricted stock remuneration for directors (excluding outside directors and directors who also serve on the Audit & Supervisory Committee)

Name	Reason for appointment
Yoshinori Suzuki	Mr. Suzuki has a wealth of experience and broad insight as a business corporate manager. He has been appointed as an outside director so that he can provide valuable opinions on the Company's corporate activities from a fair and neutral standpoint, and from a perspective distinct from the Company's thinking.
Junichi Komamura	Mr. Komamura has a wealth of experience and broad insight as a business corporate manager. He has been appointed as an outside director so that he can provide valuable opinions on the Company's corporate activities from a fair and neutral standpoint, and from a perspective distinct from the Company's thinking.
Kazumitsu Takaya	Mr. Takaya is well versed in finance and accounting as a certified public accountant. He is appointed as an outside director as a member of the Audit & Supervisory Committee so that he can provide auditing and supervision from a fair and neutral standpoint based on his extensive experience and expertise in this field.
Kyoko Kobayashi	Ms. Kobayashi is a qualified attorney at law and is appointed as an outside director as a member of the Audit & Supervisory Committee so that she can audit and supervise the Company from a fair and neutral standpoint based on her extensive experience and high-level insight as a legal expert.

has been limited to 50 million yen per year and the total number of common shares must not exceed 50,000 shares per year (approved at the Ordinary General Meeting of Shareholders held on June 25, 2020). Monetary remuneration consists of fixed remuneration and performance-linked remuneration, and stock-based remuneration is classified as fixed remuneration. In addition, the remuneration of outside directors and directors who also serve on the Audit & Supervisory Committee is limited to fixed remuneration in consideration of their roles.

Officer classification	Total remuneration, etc. (Millions of yen)	Total remuneration, etc. by type (Millions of yen)			Non-monetary remunerations	Number of officers (people)
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses		
Directors (excluding Audit & Supervisory Committee members and outside directors)	150	63	61	—	24	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	4	4	—	—	—	1
Outside officers	14	14	—	—	—	5

(Note) 1. 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 24 million yen.  
2. The amount paid to directors (excluding Audit & Supervisory Committee members) does not include the amount of employee salaries of directors who concurrently serve as employees.  
3. The amount paid to directors (Audit & Supervisory Committee members) includes one outside director who retired at the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 24, 2021.

▶ Disclosure

Regarding disclosure, Nippon Pillar Packing has established the Disclosure Committee and conducts appropriate and timely disclosure.

To administer our internal control system for financial reporting, which was started in April 2008, we established the Internal Control Assessment Committee and conduct assessments of internal controls at the Group level. In April 2021, we established the ESG/SDGs Promotion Committee as a superordinate organization to

▶ Our IR Activities

The representative himself conducts semi-annual briefings for analysts on the Company's profile and business performance. The briefings are generally conducted in-person by the representative, and are also available as a video on the Company's website. In addition, dialogue is conducted separately throughout the year with investors. In addition, timely disclosure materials are posted on the IR Information page of our website, and a recording of the General Meeting of Shareholders for fiscal 2021 is available for viewing.

the CSR Committee to oversee and promote activities related not only to corporate social responsibility but also to the environment, corporate governance, and the SDGs, thereby enhancing the effectiveness of our efforts to achieve sustainable development in harmony with society. The Company publishes an annual Integrated Report summarizing the content of these activities.

The status of these committees is reported regularly to the representative director.

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
Individual IR for analysts	99	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

# Establishing a System for Managing Potential Risks in Business Activities

▶ Risk Management

The Company has established a Risk Management Committee to oversee overall risk management, as well as Crisis Management Rules shared by the Company and its Group companies for the purpose of promptly responding to risks related to the business, and has built a risk management system based on these Rules. When unexpected situations arise, a response headquarters is established that is headed by a person appointed by the President, a system is launched to minimize damage and impact, and the situation is quickly addressed. In addition, in order to ensure the timely disclosure of risks and other important information, we established the Disclosure Committee and created a system for conducting timely, appropriate disclosure.

Risks that should be managed
<ul style="list-style-type: none"><li>• Risks from changes in the semiconductor/LCD markets</li><li>• Risks related to quality</li><li>• Risks from overseas production/sales and foreign exchange trends</li><li>• Risks related to material procurement and price trends</li><li>• Risks related to technological development</li><li>• Risks related to litigation, etc.</li><li>• Risks related to factory operations</li><li>• Risks related to the COVID-19 pandemic</li></ul>

# Execution of Business Ethics and Integrity

▶ Compliance

In order to strengthen our compliance system, we have established the Corporate Code of Ethics as a code of conduct applicable to all Group companies. As a specific standard of conduct, we have established the Group Code of Conduct, which is presented on our intranet, and through our in-house training programs and the Corporate Ethics Committee, we strive to improve and thoroughly familiarize employees with compliance with laws and regulations and corporate ethics.

In addition, we have established a Decarbonization and Global Environment Committee to develop products that take safety and environmental conservation into consideration, as well as an Environmental Policy. Based on this Environmental Policy, we are working to reduce environmental impact and to maintain and enhance our management system. Furthermore, in the event of a crisis related to corporate business continuity, the Company has established a Risk Management Committee and formulated Crisis Management Rules to ensure a quick response and early containment, and has made efforts to

respond in advance and after the fact. Along with this, for control of products with export restrictions, we have established the Security Trade Control Office and are taking every possible measure in this area.

We have introduced an internal reporting system for the early detection of misconduct, including violations of laws, regulations, and internal rules. In addition to a unified internal contact point for all Group employees and directors in Japan and overseas, an external contact point has been established for direct consultation with a legal advisor.

Nippon Pillar Packing subsidiaries are managed through a process that consists of approval and final approval based on the Affiliate Management Rules and reporting from the subsidiaries, but their autonomy as independent companies is also respected, and when there are important managerial matters that occur between Group companies, adequate discussions are conducted. In addition, the Internal Audit Office conducts internal audits of subsidiaries on a regular basis.

# Corruption Prevention

▶ Our Approach to Anti-Corruption

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.



# Society

## Social Initiatives

### Respecting Human Rights

#### Our Approach to Respect for Human Rights

The Group shall maintain a healthy work environment free from harassment or discrimination on the basis of gender, age, nationality, race, ethnicity, creed, religion, social status, disability, place of origin, etc., and shall prevent all forms of harassment and take prompt and appropriate action in the event of an occurrence. In the event of a problem, we will promptly investigate and take decisive measures to provide relief to the sufferer and prevent recurrence.

In all countries and regions, we prohibit all forms of labor against the will (forced labor) and child labor under the working age as defined by the laws of each country or region. At the same time, we will comply with the laws and regulations of all countries and regions in which we operate, and ensure the freedom of association and the right to collective bargaining for all people.

### Human Resource Development, Recruitment and Retention

#### Raising Human Resource Value

The Group is committed to enhancing the value of its human resources because we believe that it is the power of people that generates continuous corporate growth.

In addition to enhancing internal training programs, including level-based training, in a manner that meets the needs of our employees, we are working with outside educational institutions and dispatching employees to enhance their specialized skills. In addition, while promoting IT/DX education, which is becoming more widespread these days, we are building an organized system for passing on core

technologies and skills and training data scientists through industry-academia collaboration, flexibly responding to changes in the business environment and striving to develop human resources that will be the engine of sustainable growth. Furthermore, we focus on developing global human resources, including local workers.

As part of this effort, we introduced a talent management system in fiscal 2020. This system allows us to visualize the knowledge, skills, values, and career visions possessed by our employees, and to assign the best people to the right jobs.

### Occupational Health and Safety

#### Enhancing the Workplace Environment

We believe that the health and safety of our employees is an unparalleled value. To ensure a safe and comfortable work environment, we have committed to eliminating occupational accidents in our Group Code of Conduct and to complying with all applicable laws and regulations as well as internal rules such as the Health and Safety Management Regulations and Various Work Procedures. The Health and Safety Committee was established to ensure employee safety and promote the maintenance of health. The Committee formulates annual policies and activity plans related to health and safety, and meets monthly.

In addition, we continue to implement hazard prediction activities and have the President visit each plant to inspect the site. In addition, each plant publishes Health and Safety News to raise employee awareness of safety. Moreover, the Health and Safety Committee members conduct on-site inspections to assess the level of danger in the workplace. Priority is given to workplaces with high hazard levels in order to analyze the causes and implement effective hazard countermeasures, thereby preventing occupational accidents from occurring or recurring.

### Promoting a Diverse Workforce and Work Styles

#### Formulating a Health Management Declaration

We regard health promotion as a key management issue and formulated the Health Management Declaration in April 2022 in order to revitalize our organization and realize sustainable corporate value enhancement. We aim to create a workplace environment where employees can work comfortably, where employees and their families can enhance their own

awareness of their health, and where they can work in good physical and mental health. We will also strive to improve the workplace environment and promote various health management measures that will lead to improved employee engagement.

#### Promoting Work Style Reform

To ensure a good work-life balance for our employees, the Group aims to enable them to exercise their individuality and achieve self-fulfillment, as well as to realize diverse forms of employment, work styles, evaluation systems, and leave

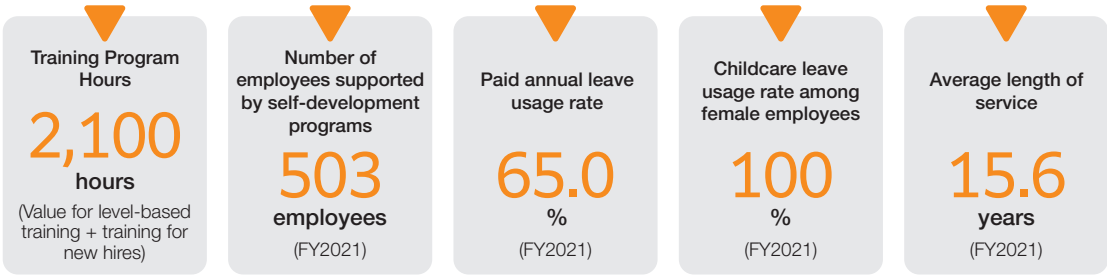
systems. As part of this effort, we are promoting more efficient work styles through the introduction of telecommuting and the use of IT, such as meetings with customers via video conferencing.

#### Diversity Initiatives

Based on the idea that new and innovative ideas are created by a diverse workforce, the Group has been focusing on the promotion of diversity since fiscal 2021 with the Diversity Management Policy.

In June 2021, the first female outside director was

appointed to the Board of Directors, and the Company has set a target ratio of women in management positions. We are also actively promoting mid-career hires to management positions, with mid-career hires currently accounting for approximately 40% of our management positions.



#### Column

##### Strengthening sustainability-related training

We conducted executive training and e-learning training on the SDGs to ensure that our employees understand the basic content of the SDGs and their relevance to the Company and that each and every one of them can perceive the SDGs as directly concerning them.

##### Comments from the e-learning training participants

The training program made me realize that our company is deeply engaged with the SDGs, for example, the overlap with our management philosophy and the initiatives we are undertaking by citing the names of our specific products. We are making daily efforts to improve the level of quality, price, and delivery time, which are the competitive edge of our products. It made me realize that contributing to the SDGs will become one factor in evaluating our company and products in the future.

While the SDGs' goals are ambitious and span the entire planet, even the little things we do in our daily lives can make a difference. My son enjoys watching SDG content for children. I hope to continue working on the SDGs so that more in my children's generation will take action to inspire everyone, and that we can be the kind of company that is appreciated by society.



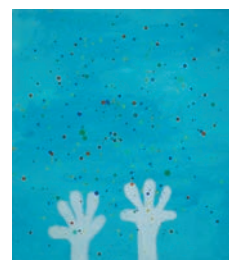
3rd Sales Dept.,  
Sales Headquarters

**Hiroaki Iguchi**

## Contribution to Regional and Community Development

### ▶ Support for Paralym Art®

Since 2022, we have endorsed the philosophy of Paralym Art®, which promotes the independence of people with disabilities, and we have been supporting the program as an official partner. We support the independence of people with disabilities by using the works of artists who are active in regions associated with our Company in the design of our shareholder benefits and novelties.



Title of Kenbo's work:  
Seize the Opportunity

### ▶ Participation in KOSEN Women's Forum in Kansai

The KOSEN Women's Forum is an event dedicated to female students of technical colleges, where students and companies present each other's approaches to career education to enable female students attending technical colleges to continue working as engineers, as there are not a small number of women who leave the engineering profession due to marriage or childbirth. On December 19, 2021, our Company participated in this event in order to contribute to this valuable opportunity for female students to acquire the knowledge necessary to find employment and play an active role as a female engineer.

Female employees working as engineers and female human resources staff participated in the online forum and we presented information about our Company's work, workplace atmosphere, and efforts to promote the advancement of women. We will continue to support students in their career development so that they can be active and vibrant members of society.



Presented firsthand accounts from female engineers in our Company including the more difficult aspects



Photo courtesy: Yamamoto Noh Theater

### ▶ Sponsorship of Traditional Arts and Culture

Nippon Pillar Packing believes in the importance of interacting with the communities in which its factories and offices are located. Based on this idea, we sponsor the Yamamoto Noh Theater, the Osaka Philharmonic Orchestra and the Kansai Philharmonic Orchestra with the aim of revitalizing Osaka City, where our head office is located.

Through such sponsorship, we support the development of traditional performing arts and the promotion of culture. Going forward, we intend to support the promotion of culture and arts as well as regional revitalization, not only in the communities we serve but also throughout the world.

## Product Development and Manufacturing in Response to Social Issues

### ▶ Together with Customers

Nippon Pillar Packing recognizes that important hints for business development are often concealed in the requests of customers and organizes their requests and feedback using customer request cards. These requests are reported at the Strategy Meeting, Management Meeting and meetings of other bodies and discussed in order to tie the feedback into

product improvements and new product development.

Also, in order to serve customer requests, coordination between sales and engineering divisions is essential. When we visit our customers, our engineering staff accompanies sales staff, and by adding a technical perspective, we are able to understand the essence of the issues regarding their

requests and make the best proposals.

In fiscal 2021, we were forced to refrain from visiting our customers due to the pandemic but responded to their requests while ensuring the safety and security of customers and employees by introducing a video conferencing system along with other solutions.

Furthermore, based on the recognition that ensuring the quality of our products is one of the most important priorities in gaining and maintaining the trust of our customers, we will continue to implement the PDCA cycle for quality control

activities based on the ISO 9001 quality management system, as well as complying with the quality and standards required by each country and each industry.

As for customer evaluations of our products and services, we conduct a questionnaire of Customer Satisfaction Survey, once a year. Starting in fiscal 2020, we have made this questionnaire electronic, so that we can quickly absorb customer feedback and strive to further improve customer satisfaction through discussions at management meetings and feedback to workplaces.

## Promoting CSR Procurement

### ▶ Promoting CSR Procurement

In order to continue fair and transparent transactions with our suppliers and to carry out our purchasing activities, we have established our "Procurement Policy" and are striving to realize fair business activities. We also hold procurement policy briefing sessions for suppliers as part of measures to ensure smooth procurement activities, providing information on the initiatives of each business, production overview, and future production plans among other topics. In fiscal 2021, the sessions were held remotely, as in the previous year, to prevent the spread of COVID-19.

In consideration of the expansion of ESG-related investments and global procurement, we will also appropriately address issues surrounding supply chain management, which is an important issue for both companies and our stakeholders. We recognize that social issues such as conflict minerals and violations of fundamental human rights pose serious problems in our supply chain, and we do not purchase any mineral or textile raw materials of concern.

These issues related to supply chain management cover a

wide range of areas, including the environment, human rights, quality, business practices, and disaster response. In order to appropriately manage and respond to these risks, we have revised and are implementing the PILLAR CSR Procurement Guidelines, a group procurement policy that outlines our Procurement Policy and CSR Procurement Standard. Moreover, in order to understand the status of our suppliers' CSR activity systems, compliance with laws and regulations, and human rights and environmental conservation, we conducted a questionnaire on CSR procurement with all suppliers who have made purchases in fiscal 2020 and beyond. We received responses from 84.2% of our business partners, and we will continue to communicate and follow up with business partners with whom we hope to see improvements. In the future, we will review the content of the questions to better understand the reality on the ground, for example, by varying the content of the questions according to the size of the responding company.

### Column

#### Supplier feedback

Nippon Pillar Packing's efforts to communicate in an easy-to-understand way are very instructive to us as well.

At the annual procurement policy briefing, we are given a concrete understanding of the current environment, business policies, and issues.

In addition, the CSR Procurement Guidelines also present policies from various perspectives, including compliance, environmental conservation, and health and safety.

In the relationships with suppliers, Nippon Pillar Packing focuses on strengthening relationships and building trust based on the spirit of mutual prosperity. As a raw material manufacturer, we accept the burden of responsibility to play a role in the development of the industry and hope to develop our business together with Nippon Pillar Packing.

We look forward to the new challenges and business development of your company in the future.



Deputy General Manager,  
Chemicals Division  
Daikin Industries, Ltd.

**Naoki Wakao**





▶ Environmental Policy

Basic Policy

Recognizing that environmental issues are a challenge common to all mankind, Nippon Pillar Packing is aware of its social responsibility as a corporation, and as a good corporate citizen, we are actively working to preserve the global environment. We will also contribute to the development of local communities, aiming for the sustainable development of society and the Company.

**(1) Compliance with laws and regulations**

In addition to complying with domestic and international environmental laws and regulations, we pledge to establish and adhere to our own voluntary standards that take into account the needs of society.

**(2) Development of products that contribute to environmental protection**

As a manufacturer of fluid control equipment, we develop technologies and products that contribute not only to improved performance but also to the emergence of a society committed to sustainability through environmental protection initiatives.

**(3) Controlling environmental pollution in our business operations**

We strive to prevent pollution and protect the environment by

reducing the amount of waste generated, recycling the waste generated, reducing the use of environmentally hazardous substances, while complying with pollution control regulations intended to protect the environment.

**(4) Improvement of environmental management system**

Recognizing the environmental impact of our business operations, we strive to continuously improve our environmental management system.

**(5) Cooperation with society**

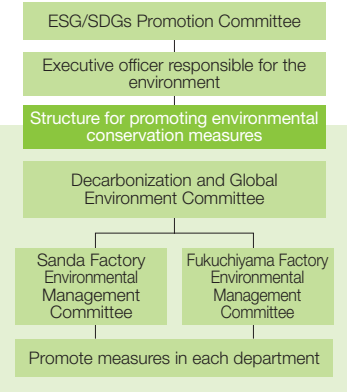
We develop environmental conservation initiatives in cooperation with stakeholders in an effort to meet the expectations of society.

March 1, 2022

▶ Structure for Promoting Environmental Conservation Measures

In September 1999, our Sanda Factory obtained ISO 14001 certification. The Fukuchiyama Factory was also certified in September 2002. We have an ongoing environmental improvement program at these two sites. In terms of environmental management, we have established an environmental management system, and the Decarbonization and Global Environment Committee, headed by the executive officer in charge of the environment, oversees the environmental management system and works to reduce regional and global environmental impacts.

Furthermore, each site has established an Environmental Management Committee with the aim of reducing the environmental impact of our business activities and developing environmentally conscious products. These initiatives are reported to the ESG/SDGs Promotion Committee, chaired by the President, to enhance the effectiveness of each committee, and management reviews are conducted at the Management Meeting and meetings of other bodies to ensure continuous improvement.



Initiatives for TCFD



The scope and extent of the impacts of climate change on the global environment and the lives of citizens are expanding, including more frequent and severe wind and flood disasters and instability in the energy market. The role that companies should play in mitigating and adapting to climate change is becoming increasingly important, and we consider climate change to be an important social issue.

In addition, our customers and markets are rapidly moving toward decarbonization and carbon neutrality. Demand for semiconductors, which are indispensable for the shift to new clean energies and more efficient energy use, is expected to rise, and we intend to further increase our contribution to the decarbonization of markets and society through our technologies and products.

Based on this recognition and conviction, we believe it is important to deepen dialogue with our stakeholders on the impact of climate change-related risks and opportunities on our business, strategy, and finances, and have disclosed our systems, initiatives, etc. based on the TCFD recommendations.



Director, Senior Executive Officer  
**Ikuo Hoshikawa**

Governance

Basic policies and important matters related to climate change are discussed and decided by the ESG/SDGs Promotion Committee and reported to the Board of Directors on a regular basis, and a governance system is in place to ensure appropriate oversight by the Board of Directors.

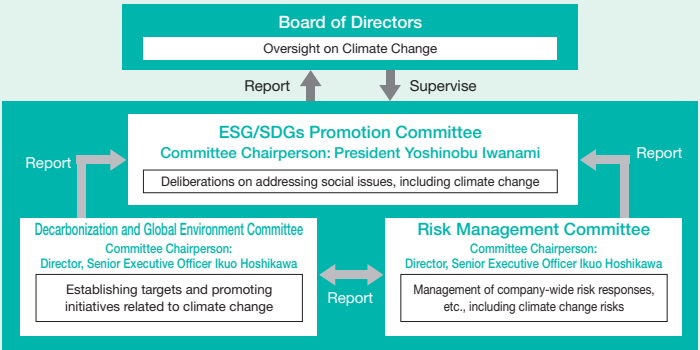
Our overall efforts regarding climate change are overseen by the Decarbonization and Global Environment Committee, which reports to the ESG/SDGs Promotion Committee in a timely manner on the progress of our goals and other matters.

Risk Management

Our Decarbonization and Global Environment Committee takes the lead in identifying climate-related risks and opportunities, and identifies them based on a comprehensive assessment of degree of impact, timing of occurrence/realization, and likelihood of occurrence/realization with reference to external information such as climate change scenarios.

The Risk Management Committee and the Decarbonization and Global Environment Committee collaborate and deliberate the identified material risks and opportunities, and integrate them into the company-wide risks as necessary. The Risk Management Committee reports the management status of company-wide risk to the ESG/SDGs Promotion Committee when appropriate.

Governance/Risk Management Structure for Climate Change



Strategy

In identifying climate-related risks and opportunities affecting our business, strategy, and finances, we have identified and organized the climate-related drivers that are expected to have a significant impact on our Company under each scenario, based on (1) a 1.5 to 2°C temperature-rise worldview in which decarbonization progresses and (2) a 3 to 4°C temperature-rise worldview in which warming progresses. Based on the above, we have identified our climate-related risks and opportunities and evaluated their degree of impact, timing of occurrence/realization, and likelihood of occurrence/realization in reference to these climate change scenarios. In addition, we have identified the risks and opportunities that are important for our Company, and have organized our future measures and countermeasures to address these risks and opportunities.

Going forward, we will steadily advance our measures to address climate-related risks and contribute to the decarbonization of markets and society and to enhancing their resilience to climate change through the development of technologies and the supply of products that help mitigate and adapt to climate change.

Indicators and Targets

Greenhouse gas emissions	Sales of products that help create a decarbonized society	In-house carbon pricing
CO <sub>2</sub> Emission Reduction Targets (Consolidated/Scope 1+2) • CO <sub>2</sub> emissions in FY2050 <b>Virtually zero</b>	Sales Forecast for FY2030 • Energy-saving products Approx. <b>4 billion yen</b> • Carbon neutral products Approx. <b>2 billion yen</b>	Introduced an internal carbon price system and operated it as one of the investment indices related to energy conservation and energy creation, etc. 9,200 yen/t-CO <sub>2</sub> (as of October 2021)

Nippon Pillar Packing discloses detailed information based on the TCFD on its website. Please also see this page.

## ▶ Environmental Audit

We have undergone an external ISO 14001:2015 audit of our Sanda Factory and Fukuchiyama Factory, which are ISO 14001 certified sites, to verify that the environmental management system is being properly operated and that continuous improvements are being implemented.

As for the audit results, no nonconformities were pointed out as in fiscal 2020. In addition, the follow-up survey on industrial waste disposal and the efforts to improve the corporate brand

## ▶ Environmental Risk Management

In order to respond to situations that could significantly affect lives, property, and the living environment, we regularly conduct emergency response drills organized by the Disaster Prevention and Pollution Prevention Subcommittee.

In fiscal 2021, we conducted large-scale earthquake evacuation drills for all employees at our head office, Sanda Factory, Fukuchiyama Factory, and Kyushu Factory.

## Decarbonization and Energy Saving

### ▶ Energy Conservation Activities

We use electricity, kerosene and gas as the main sources of energy for our factories and primarily conduct activities to reduce electricity because of the large amount consumed.

In fiscal 2021, although electricity consumption increased due to higher production output, energy reduction efforts were made through rational production planning, the use of LED lighting, the shutdown of large dust collectors during weeknights and holidays, and a change to load-linked

through environmental conservation in the new construction of our technology development center were evaluated as good examples of environmental management system activities.

In addition, the Sanda Factory and Fukuchiyama Factory conduct internal environmental audits every year for all departments to confirm their environmental initiatives and to continuously improve their environmental management systems.

In addition, the President, board members, and other management personnel conducted disaster preparedness training based on the assumption of a large-scale power outage in the head office region. We will continue to strengthen our life-saving drills, the initial phase of our BCP (Business Continuity Plan).

control.

Due in part to these activities, energy emissions per unit of sales in fiscal 2021 were 20.2% lower than in fiscal 2020.

#### Voluntary Environmental Activity Targets and Track Record (Decarbonization and energy saving)

Efforts	FY2021 target	Track record
Reduction per unit shipped	2% reduction	4.5% reduction

## Circular Economy and Resource Conservation

### ▶ Product Repair

We contribute to the circular economy by providing after-sales service even after the delivery of our products. We provide repair services for mechanical seals mainly used in the industrial equipment-related market and bellows pumps

employed in the electronic equipment-related market. By repairing products and allowing customers to use our products for longer periods of time, we are contributing to the effective use of resources.

### ▶ Disposal of Industrial Waste

Industrial waste generated by our business activities includes scrap metal, fluorocarbon polymers scrap, waste oil, waste plastic, glass and ceramic scrap, and wood waste.

Each factory works to curb the amount of waste generated, while also working toward ongoing communication with industrial waste disposal and recycling companies to

promote recycling and reduce the volume of waste disposed. Recyclers recycle used paper and cardboard, which are general waste. For used paper containing confidential information, not only each factory but also the head office and branches have the paper dissolved directly at paper mills every year, thereby preventing leaks of confidential information.

In fiscal 2021, despite efforts to reduce the amount of waste disposal by decreasing the defect rate of products and promoting recycling, the amount of waste disposal increased from the previous fiscal year due to an increase in orders at the Fukuchiyama Factory.

Going forward, we will continue promoting efforts to lower the amount of waste discharged, both to make effective use of limited resources and to further curb the waste generated by our business activities.

## Prevention of Chemical Pollution and Conservation of Water Resources

### ▶ Compliance with Measures for Laws, Regulations and Other Obligations

We always obtain the most up-to-date information to ensure we comply with environmental laws, agreed values of municipalities, etc., clearly setting out all compliance requirements in the “Environmental laws, regulations, and other requirements list.” We also conduct regular surveillance and measurement to ensure scheduled reporting and record-keeping to prevent violation of laws and regulations and contamination of the local environment.

The facilities governed by laws and regulations and the regulated items at the Sanda, Fukuchiyama, and Kyushu Factories are summarized in the table to the right. We conduct regular surveillance and measurement to improve matters of concern and to maintain and preserve the environment.

In response to the growing risk of water shortages worldwide, we are working to reduce our water consumption, and we have set a reduction target of 1.32 thousand m<sup>3</sup> for fiscal 2022 and will continue to promote efforts to achieve this goal.

#### Voluntary Environmental Activity Targets and Track Record (Circular economy and resource conservation)

Efforts	FY2021 target	Track record
Reduction of defective product waste	0.08 kg/million yen	0.04 kg/million yen
Reduction of defect rate of injection molded products	2.0% or less	Average annual defect rate of 1.6%
Decline in foreign material defects in pump materials	2.0% or less	Average annual defect rate of 1.82%
Reduction of general waste	5% reduction	Reduction rate 61%
Recycling rate of waste paper and cardboard	5% improvement	21% increase in recycling rate
Activities to prevent complaints and nonconformance	12 activities/year	19 activities
Activities to prevent recurrence of nonconformities	24 activities/year	24 activities
Reduction of food loss	10% reduction	Reduction rate 11.2%
Reduction of paper towel use	10% reduction in number of paper towels used per person	Reduction rate 17%
Sales and supply of environmentally friendly products to customers	12 activities/year	20 instances of supplying customers

	Applicable laws	Applicable facilities	Regulated items
Atmosphere system	Air Pollution Control Act	Absorption-type water cooler/heater	Soot and dust, sulfur oxides, nitrogen oxides
		Exhaust gas cleaning system	Items stipulated in Fukuchiyama City Environmental Conservation Charter
		Factory dust collector	Smoke and soot
Water system	Sewerage Law	Factory wastewater	Items stipulated in the Sanda municipal sewerage ordinance wastewater standard
			Items stipulated in Fukuchiyama City Environmental Conservation Charter
	Water Pollution Control Law	Storm drainage	Chromium compounds, dichloromethane
Soil contamination	Environmental standards for soil contamination	Groundwater on site	Soil study of substances used, in association with geographical history survey
Noise	Noise Regulation Law	All factory facilities	Noise at site boundary

### ▶ Response to Toxic Substances

Under the provisions of the Pollutant Release and Transfer Register (PRTR), which requires companies to manage specified chemical substances that have an environmental impact, we notify the competent authorities every year regarding these substances. We also have an ongoing program of considering switching to non-specified alternatives and cutting usage, emission, and transfer of specified substances.

#### Substances Subject to Notification under the PRTR Law (nonconsolidated)

(kg)

Name of substance	Decree number	FY2017			FY2018			FY2019			FY2020			FY2021		
		Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer
Xylene*1	80	1,472	11	76	1,980	11	110	1,801	11	56	1,432	7	12	983	5	17
Chromium and trivalent chromium compounds	87	3,411	0	2,400	4,067	0	4,100	3,630	11	2,500	2,650	0	1,700	2,895	0	2,001
Methylene chloride	186	30,900	27,000	3,900	29,300	24,800	4,500	34,800	30,800	4,000	57,700	53,000	4,700	109,100	104,000	5,100
1,2,4-Trimethylbenzene*1	296	2,291	11	86	2,282	11	130	2,050	11	40	1,651	8	13	5	5	19

Xylene, chromium and trivalent chromium compounds, methylene chloride, and 1,2,4-trimethylbenzene are subject to notification under the PRTR Law.

\*1 Kerosene fuel consumed by combustion is not included in the amounts of emissions and transfer.

(Note) Listed here are substances used 1,000 kg or more annually.



R&D

As the owner of many patented products, we conduct a number of experiments under actual operating conditions before introducing our products to society. Our research and development, supported by the latest verification technologies, continues to evolve toward even higher goals.

Seeking New Values and Striving to Research and Develop Unknown Materials



Microscopic analysis technology

In order to meet the increasingly stringent cleanliness requirements associated with the miniaturization of semiconductors, we are building a system capable of multifaceted analysis (both inorganic and organic).



Data collection and analysis test equipment for failure prediction

This test equipment is used to collect and analyze data on pressure, temperature, torque, vibration, etc. under operating conditions, including failure modes, in order to establish technology for predicting mechanical seal failures.



Design with 3D CAD

We perform basic structural analysis and design seamlessly, leading to faster product design and proposals.



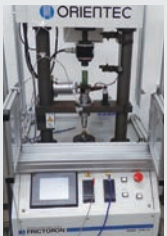
Low temperature test equipment for valves

This test equipment is used to collect data on sealing characteristics, sliding characteristics, and stress relaxation characteristics of gland packing for valves in low temperature environments (-150 to 0°C). It is utilized for the development of gland packing suitable for low-temperature environments.



Test equipment for semiconductor and liquid crystal manufacturing devices

To evaluate performance under severe operating conditions in the semiconductor market, we have thermal cycle test equipment capable of cycling through high and low temperatures.



Friction and abrasion tester

This tester is used for technical evaluation of sliding friction and abrasion characteristics between the material to be evaluated and the mating material to be used for sealing materials. Both ring-on-ring and pin-on-disk testing are possible.

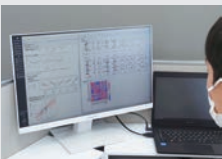
Quality Assurance

In order to achieve the quality required at all stages from product development to design, production, sales, and after-sales service, all of our internal quality assurance organizations cooperate with each other and work together to provide quality that meets the demands of the times based on our Company motto: Quality First.

Statistical Quality Control Measures

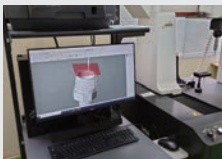
In fluorocarbon polymers products for the semiconductor market, we are working to further improve quality and productivity by analyzing quality data from a statistical perspective.

We will continue to monitor fluctuations in measurement data and develop an environment for statistical analysis to improve the quality of mass production and the effective use of materials.



Analysis by data analysis software

Measurement results are shared with each production site via the in-house network, and the results are analyzed. In the future, we plan to further improve productivity by utilizing real-time molding conditions.



High-precision measurement and data utilization with 3D measuring instruments

Three-dimensional measuring instruments assess the characteristics of critical parts that affect the sealing function of molded parts and provide feedback, which is reflected in product quality, including process capability.

ISO Certification and IATF Certification

Under its quality- first approach, the Group has obtained both ISO 9001 and IATF certification.

ISO Certification

In 1995, the Group became the first domestic seal manufacturer to obtain ISO 9001 certification for its quality management system. The current certifying body is the Japan Quality Assurance Organization, while accreditation is provided by JAB (in Japan) and UKAS (the UK). (The head office and the Sanda and Fukuchiyama Factories have obtained ISO 9001 certification.)



IATF Certification

In 2019, products for automotive use produced at the following factory have obtained IATF 16949 certification, an international quality management system standard for the automobile industry. IATF 16949 was developed by Western automobile manufacturers and automobile industry-related organizations to prevent defects, reduce inconsistency and waste in the supply chain, and bring about continuous improvement by standardizing requirements for parts manufacturers. Based on ISO 9001, this quality management system incorporates a large number of unique requirements.



Registered site: Nippon Pillar Packing Co., Ltd. Sanda Factory  
Scope of certification: Design and manufacturing of gaskets, packing, exhaust system molded products, and fluorocarbon resin substrate

Non-Use of Asbestos

Our products do not use asbestos.

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index uses TOPIX as its universe and determines the weighting of constituent stocks by focusing on the level of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales). The Company has been continuously included in this index since 2018.



ESG/SDGs Assessment Loan



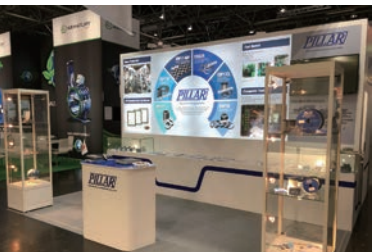
In the ESG/SDG Assessment Loan by Sumitomo Mitsui Banking Corporation, Nippon Pillar Packing was judged to be of a very high standard in environmental management, initiatives in environmentally friendly products and services, and integrity toward customers. In addition, the Company was recognized as having implemented excellent ESG initiatives and information disclosure in its corporate management and as having a high level of willingness to contribute to the achievement of the SDGs through our business.

Won the Plunkett Award

Our Pilaflon™ products, Super type fitting gained global recognition and the Company has won the DuPont Plunkett Award three times.



Participated in International Exhibitions

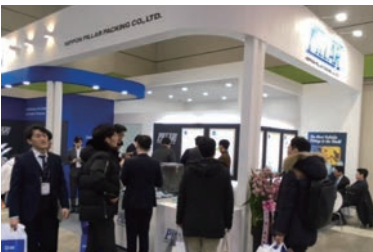


Valve World Expo

We exhibit our products at the Valve World Expo, a global trade fair for valve products and technologies.

SEMICON Japan

SEMICON Japan is a general exhibition for worldwide semiconductor-related industries. We publicize our products and also take the opportunity to gather the latest information.



Financial Summaries

(Millions of yen)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Consolidated statement of income:											
Sales (consolidated)	22,086	18,831	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670
Japan	19,087	16,707	17,565	17,647	19,156	22,416	23,124	23,904	21,427	21,975	28,254
Asia	2,216	1,458	2,095	2,862	2,565	3,172	4,528	4,345	5,316	5,721	7,410
Others	782	664	1,059	1,165	1,238	1,637	1,809	2,713	2,470	2,504	5,005
Overseas sales ratio (%)	13.6	11.3	15.2	18.6	16.6	17.7	21.5	22.8	26.7	27.2	30.5
Sales (nonconsolidated)	20,709	17,634	19,585	20,359	21,665	25,803	28,091	28,987	26,592	28,368	38,207
Operating income	3,806	2,393	2,908	3,226	3,469	5,166	5,161	5,126	3,683	4,847	11,392
Operating income margin (%)	17.2	12.7	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.1	28.0
Ordinary income	3,820	2,522	3,031	3,447	3,493	5,255	5,156	5,227	3,725	5,094	11,821
Profit before income taxes	3,833	2,522	3,031	3,124	3,595	4,609	5,014	5,456	3,653	4,837	11,822
Profit attributable to owners of parent	2,233	1,589	1,854	1,986	2,397	3,204	3,422	3,719	2,635	3,445	8,285
Cash flow from operating activities	3,671	2,930	3,429	2,957	3,074	3,220	3,752	5,035	4,064	5,676	11,950
Cash flow from investing activities	(624)	(494)	(927)	(1,378)	(3,230)	(2,363)	(3,244)	(3,902)	(2,950)	(3,705)	(1,551)
Cash flow from financing activities	(1,168)	(1,088)	(505)	(839)	(1,145)	813	(1,455)	(1,493)	(1,862)	(2,238)	(1,711)
Cash and cash equivalents	7,869	9,409	11,631	12,561	11,132	12,729	11,813	11,582	10,798	10,517	19,809
Capital expenditure	401	421	597	1,703	1,475	4,189	3,008	5,110	3,531	972	992
Depreciation	1,170	967	924	954	940	1,022	1,397	1,718	1,822	2,056	1,991
Consolidated statement of financial position:											
Total assets	36,590	35,731	38,986	41,466	42,164	49,347	51,539	52,972	53,190	54,949	64,991
Property, plant and equipment	11,770	11,304	11,254	11,510	13,901	15,493	18,107	20,266	21,971	20,669	20,272
Interest-bearing debt	1,987	1,319	1,231	855	539	2,147	1,609	1,082	693	254	350
Net assets	27,135	28,629	30,585	33,099	33,905	36,740	39,834	42,169	43,010	45,776	52,658
Per-share indicators:											
Profit (yen)	90	64	75	80	97	131	140	152	109	145	350
Net assets (yen)	1,096	1,157	1,236	1,338	1,387	1,503	1,629	1,725	1,781	1,937	2,227
Dividend (yen)	16.00	16.00	16.00	20.00	28.00	34.00	36.00	45.00	40.00	50.00	106.00
Management indicators:											
Equity ratio (%)	74.2	80.1	78.5	79.8	80.4	74.5	77.3	79.6	80.9	83.3	81.0
ROA (%)	6.2	4.4	5.0	4.9	5.7	7.0	6.8	7.1	5.0	6.4	13.8
ROE (%)	8.5	5.7	6.3	6.2	7.2	9.1	8.9	9.1	6.2	7.8	16.8
Payout ratio (%)	17.7	24.9	21.4	24.9	28.8	25.9	25.7	29.6	36.8	34.6	30.3



## Non-Financial Summaries

	2017	2018	2019	2020	2021
CO <sub>2</sub> emissions (Scope 1+2) (t-CO <sub>2</sub> )* <sup>1</sup>	13,854	12,644	10,777	10,785	<b>12,897</b>
CO <sub>2</sub> emissions (Scope 1) (t-CO <sub>2</sub> )* <sup>1</sup>	899	917	932	818	<b>807</b>
CO <sub>2</sub> emissions (Scope 2) (t-CO <sub>2</sub> )* <sup>1</sup>	12,954	11,726	9,845	9,967	<b>12,090</b>
CO <sub>2</sub> emissions per unit of sales (t-CO <sub>2</sub> /100 million yen)* <sup>1</sup>	47.1	40.9	36.9	35.7	<b>31.8</b>
Total energy consumption (kl)* <sup>2</sup>	6,919	7,326	7,490	7,655	<b>8,200</b>
Of which, electricity (kl)* <sup>2</sup>	6,581	6,973	7,142	7,343	<b>7,880</b>
Of which, gas (kl)* <sup>2</sup>	116	138	137	146	<b>137</b>
Of which, fuel (kl)* <sup>2</sup>	221	215	212	166	<b>183</b>
Energy emissions per unit of sales (kl/100 million yen)* <sup>2</sup>	23.5	23.7	25.7	25.3	<b>20.2</b>
Solar power generation (kWh)* <sup>3</sup>	857,330	871,800	785,583	824,804	<b>808,375</b>
Water intake (thousand m <sup>3</sup> )	133	132	144	140	<b>117</b>
Waste generated (t)	826.1	778.4	709.7	687.3	<b>884.0</b>
Volume sold (t)	493.9	403.7	336.9	334.5	<b>435.1</b>
Volume recycled (t)	191.0	195.4	216.4	184.4	<b>213.1</b>
Volume disposed (t)	141.2	179.4	140.6	168.4	<b>235.3</b>
Recycling rate (%)	81.3	77.0	78.0	75.5	<b>73.3</b>
Full-time employees (consolidated basis)* <sup>5</sup>	764	797	809	759	<b>832</b>
Temporary employees including contract and part-time workers (consolidated basis)	193	170	167	175	<b>178</b>
Full-time employees (nonconsolidated basis)	516	531	535	541	<b>551</b>
Male employees (nonconsolidated basis)	420	429	434	438	<b>442</b>
Female employees (nonconsolidated basis)	96	102	101	103	<b>109</b>
Overseas employees	107	120	132	87	<b>127</b>
Average age (years)	38.6	39.2	39.6	39.6	<b>40.2</b>
Male (years)	39.1	39.5	39.8	39.8	<b>40.4</b>
Female (years)	37.9	38.0	38.9	39.2	<b>39.5</b>
Average length of service (years)	15.0	15.1	15.4	15.3	<b>15.6</b>
Male (years)	15.0	15.2	15.4	15.2	<b>15.7</b>
Female (years)	15.1	15.1	15.3	15.7	<b>15.5</b>
Ratio of female managers (nonconsolidated basis) (%)	0.8	0.0	1.6	2.5	<b>2.2</b>
Ratio of employees with disabilities (%)	1.42	1.42	1.13	1.66	<b>2.59</b>
Ratio of foreign national employees (%)	0.4	0.6	0.4	0.4	<b>0.4</b>
Ratio of rehired retirees (nonconsolidated basis) (%)	4.8	3.9	3.7	4.3	<b>3.2</b>
Paid annual leave usage rate (%)	71.4	75.7	70.5	60.3	<b>65.0</b>
Childcare leave usage rate among female employees (%)	100	83.3	100	100	<b>100</b>
Childcare leave usage rate among male employees (%)	3.4	4.3	0.0	13.6	<b>0.0</b>
Number of new graduates hired	24	17	18	22	<b>18</b>
Ratio of women (%)	16.7	29.4	5.6	18.2	<b>27.8</b>
Number of mid-career hires	11	14	8	13	<b>10</b>
Ratio of women (%)	18.2	21.4	25.0	15.4	<b>50.0</b>
Consolidated employee turnover rate (%)* <sup>4</sup>	3.0	4.0	3.9	2.4	<b>3.3</b>
Nonconsolidated employee turnover rate (%)* <sup>4</sup>	2.4	4.3	3.3	2.3	<b>2.7</b>
Number of employees supported by self-development programs	499	502	499	555	<b>503</b>
Number of lost time injuries	0	0	0	0	<b>0</b>
Number of non-lost time injuries	12	4	7	7	<b>3</b>

\*1 Scope of coverage: Japan and overseas. The emission factor for electricity is the adjusted emission factor (residual) from the "emission factor by electric utility" published by the Ministry of the Environment. For some of our sales offices, we use alternative values published by the Minister of the Environment and the Minister of Economy, Trade and Industry for the emission factor.

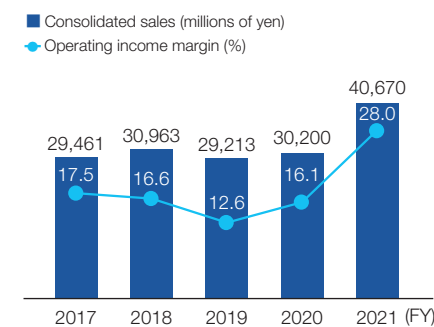
\*2 Crude oil equivalent

\*3 Annual power generation from January to December

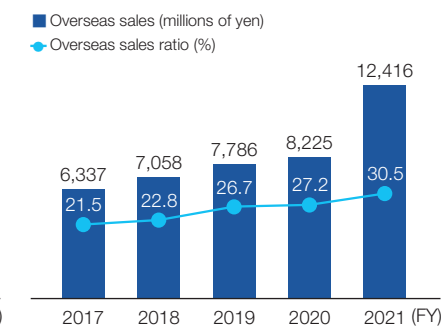
\*4 Full-time employees only; excluding those reaching mandatory retirement age

## Financial Indicators

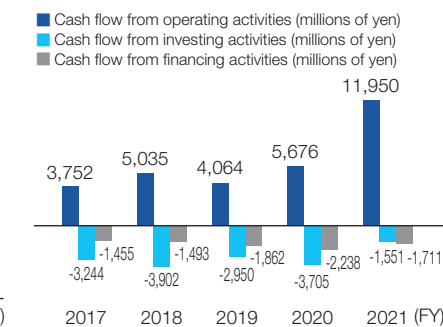
### Consolidated sales/Operating income margin



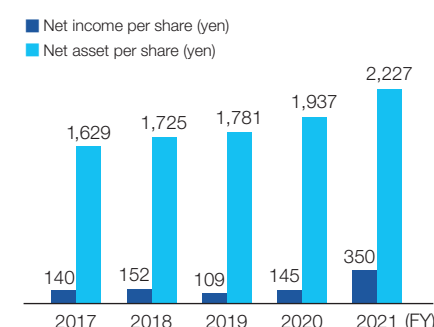
### Overseas sales/Overseas sales ratio



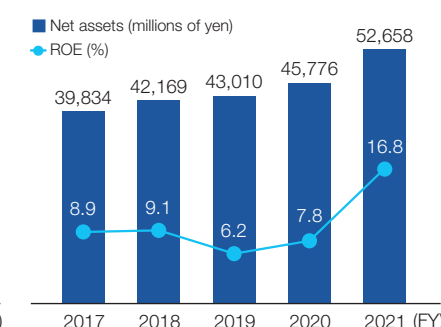
### Cash flow



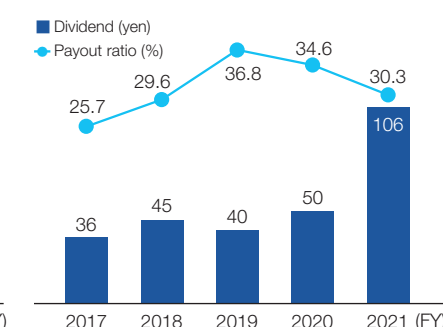
### Net income per share/Net asset per share



### Net assets/ROE

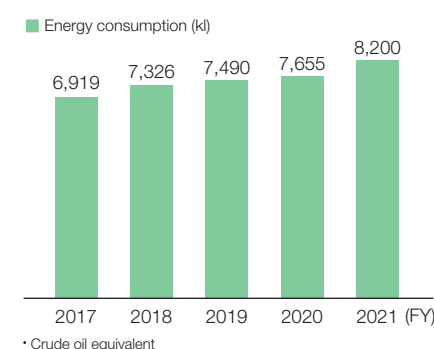


### Dividend/Payout ratio

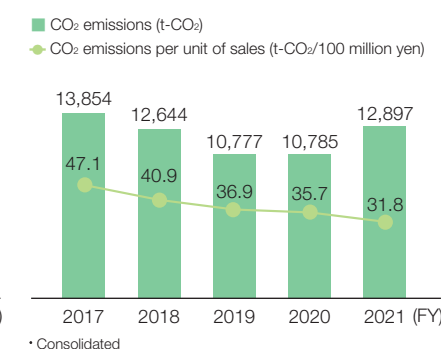


## Non-Financial Indicators

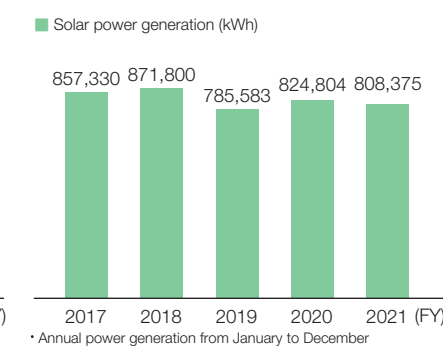
### Energy Consumption



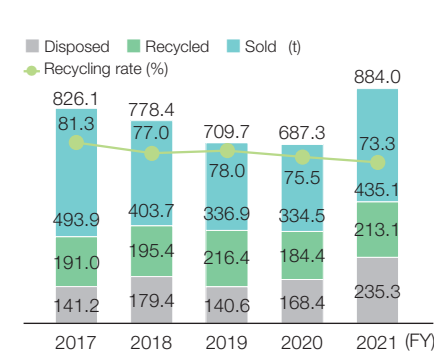
### CO<sub>2</sub> emissions (Scope 1 + Scope 2)



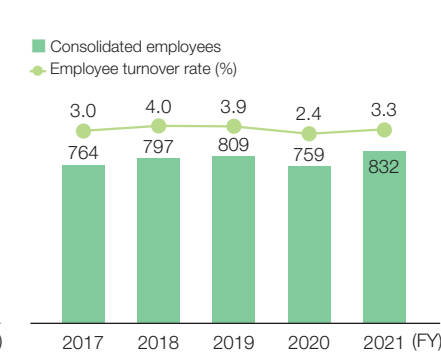
### Solar power generation



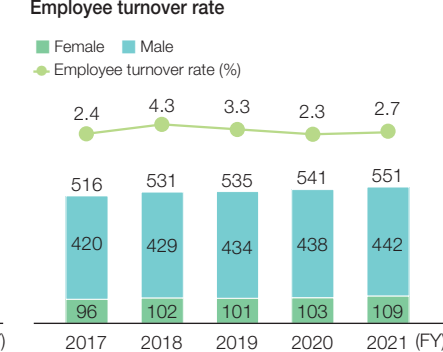
### Waste generated/Recycling rate



### Consolidated employees/Employee turnover rate



### Nonconsolidated employees (male and female)/Employee turnover rate



• Waste for recycling includes scrap metal, fluorocarbon polymers scrap, waste oils, liquids, plastics, and paper  
• Employee turnover rate excludes those reaching mandatory retirement age  
• Recycling rate = (Recycled volume + Volume sold) / Total volume of waste generated × 100

• Employees include only full-time employees  
• Employee turnover rate excludes those reaching mandatory retirement age

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• Employee turnover rate excludes those reaching mandatory retirement age