



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.