

Message from the President

Beyond the Centennial.
With the entrepreneurial spirit
of our founding year,
we are applying further drive
toward transformation and
growth.

Y. Inaumi
President



Q01 It has now been five years since you assumed the role of President.
During this time, how have you steered PILLAR GROUP in response to changes
in the environment and the trends of the times?

Over the past five years, I have managed the PILLAR GROUP with a constant sense of urgency that unless we responded swiftly to changes in the business environment, we would suffer lost opportunities and risk losing market share.

Today, we face a world of extraordinary volatility: the introduction of U.S. tariff hikes, rising geopolitical risks, and the accelerating pace of technological innovation, including artificial intelligence, have brought about risks that were previously unimaginable. Yet conversely, if we can respond to these changes faster than our competitors, we can secure a competitive edge and capture a first-mover advantage. With this in mind, we are advancing the delegation of authority, based on the belief that our frontline employees, who engage daily with customers and the market, are the most sensitive to change and best positioned to make sound judgments and act quickly. Looking ahead, we will also pursue organizational reforms to further refine our speed by creating a structure

that maximizes the decision-making capabilities of those on the front lines.

As for management strategy, we distinguish between short-term and medium- to long-term perspectives. For example, in the Chinese market, despite risks such as trade tensions with the United States, we are making proactive investments, including expanding sales bases and broadening the range of products manufactured at our production sites in Chuzhou. Over the medium to long term, we believe this approach will strengthen our reputation in the market by building a domestic supply chain in China and realizing local production for local consumption.

In sum, while maintaining firm control over risks, we are committed to executing medium- to long-term growth strategies and boldly taking on new challenges, pursuing a balanced style of management that achieves both.

Q 02 In 2024, PILLAR marked its 100th anniversary. How do you envision the future of PILLAR?

It is remarkable that our Company has survived and grown over the past century thanks to the efforts of our predecessors. Now that we have inherited the baton, our current generation aims to set even more ambitious goals, achieve high growth that surpasses what our predecessors accomplished, and gain acclaim among all stakeholders. In 2025, our 101st year, we intend to further accelerate the Company's transformation and growth.

I believe that qualitative improvement is essential as the foundation for quantitative growth. For example, injection molding, which is a characteristic business model for products in the semiconductor market, becomes more profitable as sales volumes increase. Over the past five years, shipments of our products to the semiconductor market have risen, and profitability has improved significantly. However, from the qualitative perspective of whether we were able to chart a profitability

growth curve unique to us, there is still much we have yet to accomplish, and I strongly feel that we can do more. By raising the level of our organization and the capabilities of our people, myself included, I believe we can achieve profitability in areas where others cannot, and this will continue to be a focus going forward.

As for our vision for the future, while treasuring the assets and competitive advantages accumulated as a century-old company, we aim to achieve quantitative growth underpinned by qualitative enhancement, thereby becoming a company and an organization that is recognized even more highly by third parties. For example, I want our manufacturing and initiatives to serve as a reference for other companies, leading to numerous requests for factory tours and interviews. Our goal is to become a company held in high regard externally, and this is something I frequently share with employees.

[Related content]
[Feature] 100 Years of Refining Expertise in Material Development and Extensive Fluid Control Solutions



[Related content]
A Record of Growth



Q 03 What do you value most in management as you lead PILLAR toward its envisioned future?
And how do you view the Company's responsibility to society?

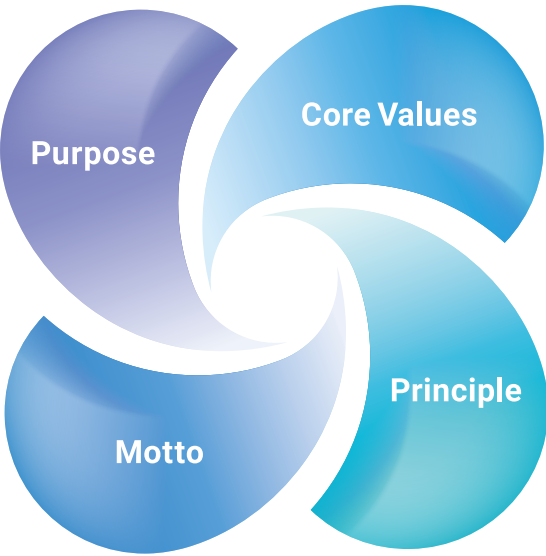
The management policy for fiscal 2025, *Re-Born and Evolution*, reflects what I hold most important. To our employees, I emphasize retaining the entrepreneurial spirit of our founding year. What I mean by this is the determination to constantly challenge ourselves in order to continue growing. While PILLAR has achieved steady growth over the past century, if we become complacent in stability, it will be difficult to generate new challenges. Like a venture company, we must pursue ambitious goals, such as business success and enhancing our corporate brand value, with a spirit of challenge, passion, and energy. One achievement over the past five years is that this kind of spirit has begun to take root within our organization. Moving forward, I want to continue cultivating an atmosphere that nurtures this venture mindset.

Regarding our responsibility to society, we have set forth our purpose as "Creating a future that supports society through clean, safety, and frontier." As a company that provides fluid control devices designed to prevent leakage, we conduct our business with a strong sense of mission.

Moreover, our motto: "Quality First, Cooperation and Harmony, and Steady Research," which embodies the spirit of PILLAR since its founding, serves as a set of behavioral guidelines and values expected of employees in realizing our purpose. In 2024, we also formulated the PILLAR CORE VALUES, which distill the essential values that every member of PILLAR GROUP must uphold as we look ahead to the next 100 years.

As a parts manufacturer, the ways in which our business activities contribute to society are not always immediately visible to employees. That is why, in forums where I engage directly with employees, such as roundtable discussions and company addresses, I consciously weave in the motto, our purpose, and the PILLAR CORE VALUES. In doing so, I strive to instill in employees a deeper understanding of the significance

of our business and the responsibilities we must fulfill to society, and to ensure that these values are reflected in their actions.



[Related content]
Motto / Purpose / PILLAR CORE VALUES



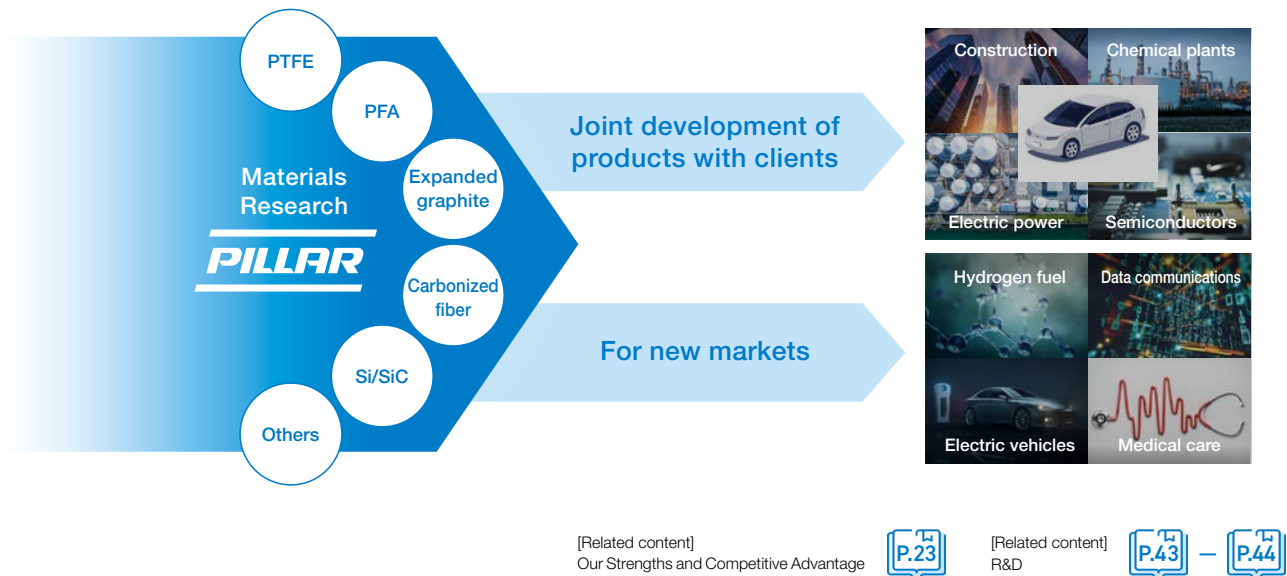
Q 04 Please share with us the competitive advantages and the value provided by PILLAR GROUP, both of which are indispensable for further growth.

The competitive strengths of PILLAR lie in the reliable technology for controlling leakage and the trust of our customers, both cultivated over our 100-year history. By refining proprietary technologies through speedy development and handling a wide range of products, which is centered on fluid control equipment that manages leakage, we have provided value in terms of ensuring safety and productivity in production sites.

In recent years, we have also focused on developing global markets, expanding our network to include global companies. One of our major strengths is that, through these connections with diverse customers and markets worldwide, who themselves possess cutting-edge technologies, we are able to gather a wide array of information and stand in a position to drive innovation precisely as a FRONTIER company.

Furthermore, in providing fluid control equipment, our Company carries out the entire process in-house, from materials through to the

design and manufacturing of finished products. A distinctive competitive advantage of ours resides particularly in the upstream processes, where we have developed proprietary materials technologies through independent research and development. By understanding changes in the market and the needs of leading-edge global customers ahead of competitors, we have earned our customers' trust by creating new technologies and products tailored to various applications, including liquids and gases, high and low temperatures. Moreover, we believe that the history of expanding our business into other fields by leveraging material properties has only been possible thanks to our deep understanding of those properties. Product groups for the semiconductor market, such as fluororesin fittings, as well as seismic isolation products and fluororesin substrates, are examples of this, and we believe there is still much room to expand such initiatives further.



Q 05 The PILLAR Group has two core businesses: the electronic equipment business and the industrial equipment business. Could you tell us about the earning power and outlook of each?

In the electronic equipment business, our major strength lies in the trust we have built since the incipient days of the semiconductor market, where we have continued to deliver a stable supply without causing quality issues such as chemical liquid leaks that could lead to serious accidents. Another source of our earning power comes from converting machined parts that require long lead times into injection-molded products, which can be delivered on shorter timelines. By doing so, we help our customers shorten lead times and improve productivity. We intend to continue strengthening these initiatives going forward.

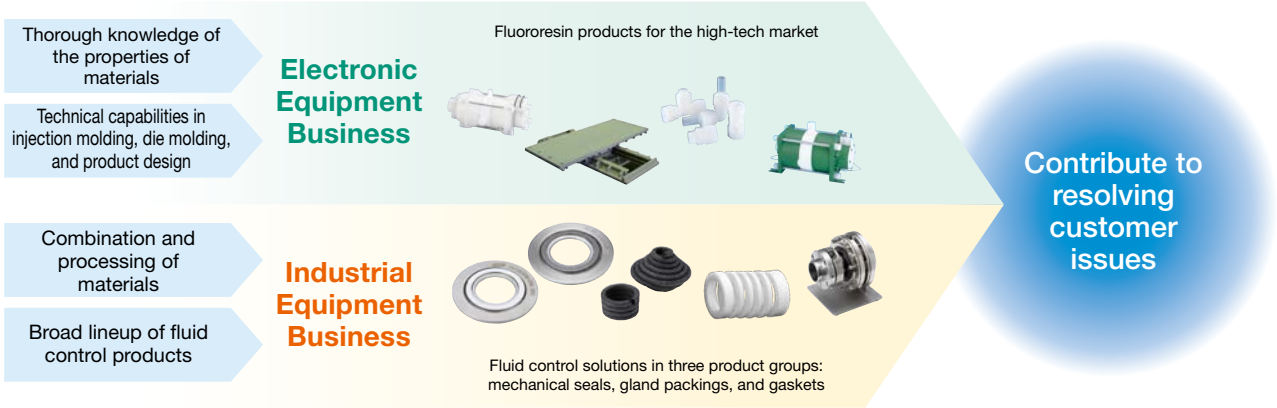
In the industrial equipment business, our earning power is derived from the fact that, as a comprehensive seal manufacturer, we can manufacture and sell all of the key sealing products in-house, including mechanical seals, gland packings, gaskets, and resin seals. Another growth driver is rotary joints (RJ), functional components for semiconductor manufacturing equipment. As semiconductor production

processes evolve rapidly, we differentiate our technologies and products by responding quickly to customer needs and engaging in new development.

In addition, the synergies we are generating with TANKEN SEAL SEIKO CO., LTD. are also contributing to improved profitability. One example of synergy is the in-house production of sliding materials, which are key components of mechanical seals. Sliding materials for mechanical seals typically combine hard materials (SiC) with soft materials (carbon). Our company produces SiC in-house, while TANKEN SEAL SEIKO produces carbon. By supplying these materials to each other, we have achieved complete in-house production, leading to reduced procurement costs. Beyond this, we see potential for further synergies, such as cross-selling in sales and joint product development that combines the technologies of both companies.

[Related content] Business Model **P.21** – **P.22** [Related content] Segment Overview **P.39** – **P.42**

Developing products to meet specific needs



Q 06 How do you plan to build a human resources strategy that maintains and strengthens earning power?

I believe human resources are a critical factor in raising the quality of the Company, enhancing the level of the organization, and advancing to the next stage. To further drive the growth of PILLAR GROUP, we aim to increase the ratio of overseas sales, and therefore seek a diverse range of talent; those who can succeed globally, those with strengths in design and production technologies, management personnel, and individuals who can demonstrate leadership at our plants. Looking at the medium-to long-term, we will design a human resources portfolio aligned with the future business portfolio, welcoming people with a venture spirit,

regardless of gender, age, or nationality, and placing them in positions where they can make the best use of their strengths.

To support business expansion, we are also strengthening mid-career hiring. At PILLAR GROUP, we want mid-career employees to quickly adapt and thrive, so we hold an entrance ceremony for them. In that setting, we emphasize: “Do not simply blend into PILLAR’s existing culture, but instead bring your past experiences, know-how, and values and *transplant* them here.” We believe that such diversity generates a positive cycle and enables us to transform into a stronger Company.

[Related content] Message from the Deputy President (Financial Strategy and Human Capital Strategy) **P.31** – **P.36**

Q 07 The fiscal year 2024 results showed declines in both revenue and profit. With a challenging business environment expected in 2025 as well, how do you view the current situation, and what growth strategies will you implement?

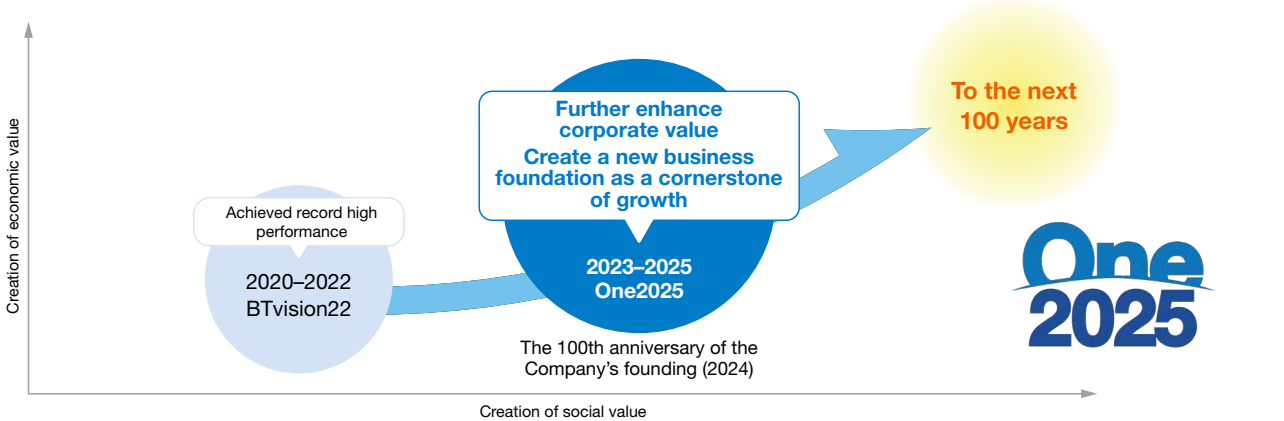
In fiscal year 2024, net sales declined 1.1% year-on-year to ¥57.9 billion, and operating profit decreased 20.2% to ¥11.3 billion. This was due to slower growth in the semiconductor market and prolonged inventory adjustments by our customers. While initiatives such as cost reductions produced some positive effects, they were insufficient to offset the negative factors. We recognize with sincerity that we fell short of meeting our investors' expectations last year.

At the same time, 2024 was a year in which we were able to plant seeds for medium- to long-term growth. We advanced investment plans in the Chinese market, considered ERP system updates, and explored

human resource system reforms, laying the foundation to support future growth.

For fiscal year 2025, we anticipate a continued slowdown in the semiconductor market and a challenging environment. Nevertheless, we continue to dedicate ourselves to fully implementing the initiatives of the Medium-Term Management Plan One2025, while striving toward our targets, such as an ROE of 10% or greater and an operating margin of 17.9%.

In the electronic equipment business, rising geopolitical risks are driving growing local production and consumption needs, particularly in



China. To capture the demand of the rapidly expanding Chinese semiconductor market, we will strengthen our local production and sales systems. Additionally, as European and U.S. semiconductor manufacturers relocate assembly operations to Southeast Asia, our existing presence in that region creates new business opportunities.

In the industrial equipment business, RJ remain a key growth driver. We will strengthen competitiveness, increase global market share, and aim for growth exceeding that of the market itself. We will also expand overseas operations for mechanical seals and gland packings. PILLAR GROUP has differentiated products capable of competing globally, and we will pursue growth by developing effective sales strategies, including

establishing local partners.

We are also focused on creating new businesses and accelerating/strengthening product development. In 2023, we established the Innovation Center at the Sanda Factory, consolidating technological development functions and gathering engineers from all business divisions. This has enabled them to share and leverage technical knowledge and expertise across the Group. Employees working at the Center have reported that active discussions are emerging across departmental boundaries. Moving forward, we aim to further refine our material technologies, which remain a core strength of PILLAR GROUP.

[Related content]
Overview and Progress of the Medium-Term Management Plan



[Related content]
Global Strategy



Q 08 Please explain your cash allocation policy aimed at realizing the ideal vision for PILLAR and enhancing profitability.

Up to now, our Company has maintained steady growth. However, I do not view us as being in a mature stage, but rather in a growth phase where we can achieve even greater leaps forward. To that end, we are pursuing a well-balanced cash allocation strategy that places emphasis on medium- to long-term growth investments. To further strengthen our earning power, we are intensifying capital investment and R&D in the semiconductor market, which remains a key driver of our Group's profitability and is expected to continue growing. These investments are directed toward meeting cutting-edge customer needs. While we do not have a dedicated body such as an investment committee, decisions on investment projects are discussed in Management Meetings and Strategy Meetings that bring together key personnel from sales, technology, production, and other divisions, enabling us to make swift decisions.

In R&D, which is the source of value creation, there are still many initiatives we want to pursue. Securing talent, including engineers, is an urgent issue for strengthening existing businesses and creating new ones. Accordingly, in addition to reinforcing investment in human

resources for R&D, we are working to close time-related gaps by making use of outsourcing and external expertise.

We also continuously consider M&A. Our acquisition of TANKEN SEAL SEIKO is a successful example, as the post-merger integration (PMI) process proceeded smoothly, enabling us to generate synergies quickly and deliver profits above plan from the very first year.

Going forward, we intend to actively pursue M&A that align with our management strategy, such as companies with established track records in target markets, those able to complement our technologies and know-how for business expansion, and those with sales channels or production bases overseas.

Regarding shareholder returns, we are currently targeting a dividend payout ratio of 30% or higher, with the aim of providing stable and continuous dividends. At the same time, we are closely monitoring market trends and listening to shareholder feedback as we actively consider future policies for shareholder initiatives, including reviewing the criteria for dividend payout ratios.

[Related content]
Message from the Deputy President (Financial Strategy and Human Capital Strategy)



We are strengthening growth investment for our Group, which is in a growth phase, and advancing the optimization of cash allocation.



Q 09 Please tell us about your thinking and initiatives regarding sustainability, which serves as the foundation of corporate growth.

The products and services provided by our Group themselves contribute greatly to sustainability and ESG. For example, in manufacturing sites there are many cases in which hazardous fluids are handled. By controlling leakage, we are contributing to safety and environmental protection. At the same time, we consider it important to incorporate the perspectives of sustainability and ESG into the processes by which products and services are created, and we are engaged in such efforts.

In the environmental field, we are promoting decarbonization initiatives that include both mitigation and adaptation to climate change. We are addressing disclosure in accordance with the TCFD and responding to CDP questionnaires, and we are also formulating feasible plans toward achieving carbon neutrality in 2050. In fiscal 2024, we obtained third-party assurance of greenhouse gas emissions data for Scopes 1 to 3 and the related information, thereby improving transparency and reliability. With respect to biodiversity, we have also started preparations for disclosure based on the TNFD disclosure framework.

In the social field, we place particular importance on respect for human rights as part of building a sustainable management foundation.

[Related content]
Sustainability Strategy



[Related content]
Sustainability Strategy: Society



[Related content]
Sustainability Strategy: Environment



Q 10 Please tell us about your approach to and initiatives regarding governance.

As one of the important issues for the next 100 years, we are also working to strengthen governance. Here too, we place importance on diversity, appointing outside directors with varied backgrounds and engaging in lively discussions on a wide range of themes such as growth initiatives, investment strategy, and risk management. We are also increasing personnel in the Internal Audit Office and enhancing process-check functions in order to secure stability and transparency in operations.

To improve the effectiveness of the Board of Directors, we conduct an effectiveness evaluation survey every year. In fiscal 2024, we carried

out an effectiveness evaluation using an external organization, which we do once every three years. As a result, improvements in effectiveness were observed compared with fiscal 2023, and the evaluation of our Board of Directors was generally favorable. With regard to issues identified, such as the frequency of Board meetings and the depth of deliberations, we will pursue improvements, including strengthening discussions at future Board meetings. Looking ahead to the increasingly rapid changes in the internal and external environment, we will further strengthen process-check functions.

[Related content]
Governance that Supports Risk-Taking



Q 11 Finally, do you have a message for shareholders and investors?

We will continue to take on every challenge proactively and boldly, accelerating our growth. The PILLAR GROUP has a solid foundation that supports its growth potential, including a broad network, materials technology, and a diverse range of products. Over these past five years as president, I have developed a renewed awareness of the importance of this foundation. By putting cash and capital to agile use on top of this

foundation, I am convinced that we can achieve high growth and enhanced corporate value that exceed the expectations of our shareholders and investors.

To our shareholders and investors, I would like to ask for even greater expectations and your continued support for the future of the PILLAR GROUP.