

Governance

Corporate Governance

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












Governance Summary

Format of governance organization	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 2022
3 (including 2 outside directors)	4	9
Term of office for directors	Performance-linked remuneration	Takeover defense measures
1 year (excluding directors who are Audit & Supervisory Committee members)	Provided	Implemented

Executive Skills Matrix

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

Transition of Corporate Governance

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of directors	Internal	5	7	6	6	6	5	5	5	5	5	5
	External	3	3	4	4	4	4	3	4	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)
Ratio of outside directors		 37.5%	 30.0%	 40.0%	 40.0%	 40.0%	 44.4%	 37.5%	 44.4%	 44.4%	 44.4%	 44.4%

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

Officer Profiles

Directors



Chairman & CEO

Kiyohisa Iwanami

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



President

Yoshinobu Iwanami

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



Director, Senior Executive Officer

Ikuo Hoshikawa

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



Director, Senior Executive Officer

Katsuhiko Shukunami

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



Outside Director

Yoshinori Suzuki

Apr. 1975 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)
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)



Outside Director

Junichi Komamura

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



Director (Audit & Supervisory Committee member)

Kazuhiro Maruoka

Jul. 2009 Joined the Company
Mar. 2011 General Manager, Accounting & Financial Department
Jun. 2018 Director (Full-Time Audit & Supervisory Committee member) (to present)



Outside Director (Audit & Supervisory Committee member)

Kazumitsu Takaya

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



Outside Director (Audit & Supervisory Committee member)

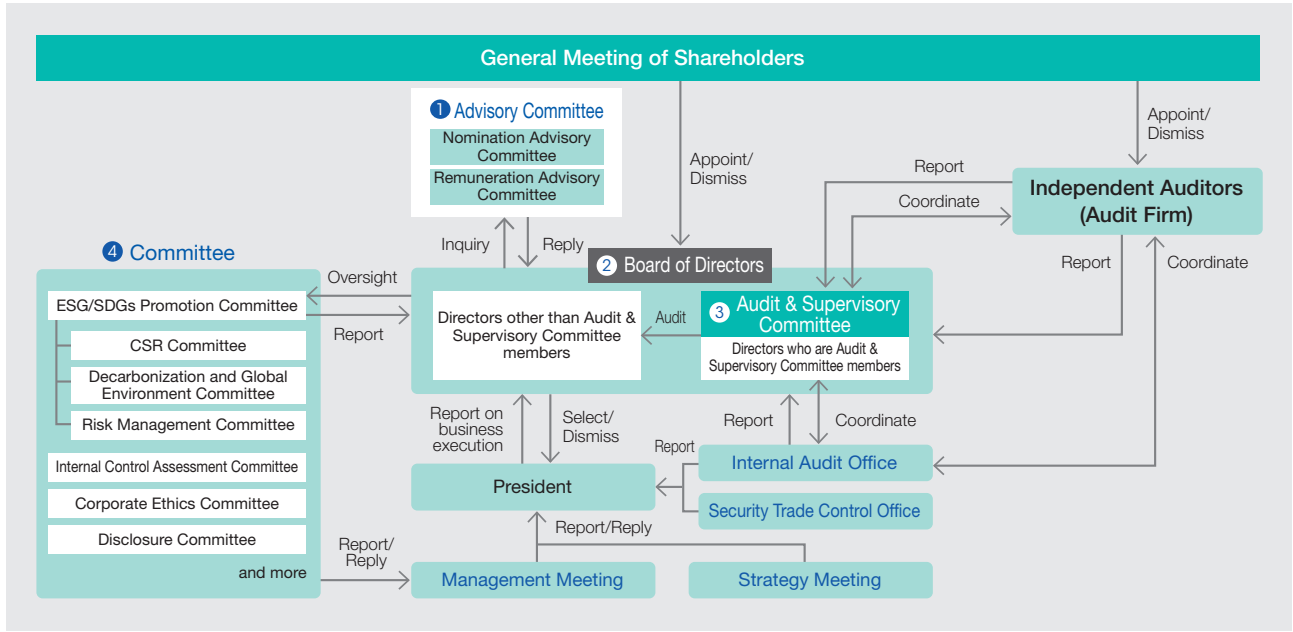
Kyoko Kobayashi

Apr. 1999 Registered as an attorney at law
Joined Irokawa Law Office (currently Irokawa Legal Professional Corporation)
Apr. 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	Sadamitsu Yamauchi	Managing Executive Officer, Process Dept., Seismic Isolation Headquarters
Managing Executive Officer	Masato Wada	President, TANKEN SEAL SEIKO CO., LTD.
Executive Officer	Masaki Shibaike	General Manager, Production Headquarters
Executive Officer	Toyokazu Serita	General Manager, Sales Headquarters and 1st Sales Dept.
Executive Officer	Masaru Fujiwara	General Manager, Production & Engineering Headquarters and Fukushima Factory
Executive Officer	Kazukiyo Teshima	General Manager, Engineering Headquarters
Executive Officer	Tomotaka Nakagami	Director, TANKEN SEAL SEIKO CO., LTD.

Corporate Governance System



Nomination of Candidates for Board of Directors

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

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

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

[Criteria for Determining the Independence of Independent Outside Directors]

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

Assessing the Effectiveness of the Board of Directors

In order to further improve the effectiveness of the Board of Directors, in fiscal 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.

As a result, the Board of Directors of the Company was generally assessed positively, with an improvement in effectiveness compared to the fiscal 2021 results, and in particular, is composed of directors with the necessary skills and diversity based on the Company's

management strategy and other factors. On the other hand, there were some opinions calling for an increase in the number of meetings of the Board of Directors and for more deliberations on initiatives for a digital transformation, which we will consider in the future.

In addition, based on the effectiveness assessment to date, in order to further invigorate deliberations at the Board of Directors meetings, in fiscal 2022, we held a Board of Directors meeting at the Kyushu Factory, one of our main factories, and provided opportunities for inspection visits and reports by the heads of operational divisions on the status of their efforts toward the business plan. We will continue to make further improvements in operations.

Officer Remuneration

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

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

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

In addition, the remuneration of directors who are members of the Audit & Supervisory Committee is determined through discussions by the Audit & Supervisory Committee.

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

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

For the fiscal year ending March 31, 2022, consolidated net sales were 134.7% of the previous year's level, and similarly, consolidated operating income was 235.0% of the previous year's level. The consolidated operating margin was 145% and ROE was assessed at 200%.

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

Officer classification	Total remuneration, etc. (Millions of yen)	Total remuneration, etc. by type (Millions of yen)			Non-monetary remunerations	Number of officers
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses		
Directors (excluding Audit & Supervisory Committee members and outside directors)	182	63	94	—	24	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	4	4	—	—	—	1
Outside officers	15	15	—	—	—	4

(Note) The breakdown of the total amount of non-monetary remunerations for directors (excluding Audit & Supervisory Committee members and outside directors) is the amount of restricted stock remuneration recorded as an expense for the current fiscal year of 24 million yen.

Our IR Activities

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

The Company's website contains financial statements, annual securities reports, and timely disclosure materials, as well as materials related to financial results and company presentations, and also contains videos. We are working to enhance the content of our website by creating a page for individual investors who are unfamiliar with our Company, and disclosing information in English for overseas investors. We also provide videos of our General Meeting of Shareholders.

For more information on investor relations, please visit our website.
<https://www.pillar.co.jp/en/ir/>

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	136	Briefing on business description, financial results, initiatives, etc. for institutional investors and securities analysts whenever necessary
Company briefings for individual investors	4	Briefing on business description, business model, shareholder returns, etc. for individual investors



Risk Management

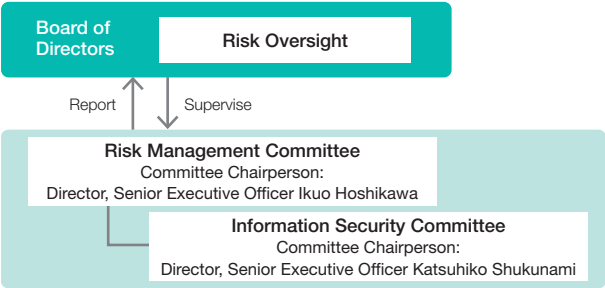
In order to minimize increasingly diverse risks, we are working to strengthen risk management as part of our internal controls. The Risk Management Committee is the driving organization to build a framework that systematically analyzes and assesses material risks, implements measures to mitigate them,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

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

For more information about our risk management policy, please visit our website.
<https://www.pillar.co.jp/en/sustainability/risk-management/>



Risk Management Promotion System



Major Risk Factors

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

Compliance

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

The Company manages our subsidiaries through procedures such as approvals, decisions, and reports from subsidiaries in accordance with the Affiliate Management Rules. However, the Company also respects the autonomy of each subsidiary as an independent company and fully discusses important management issues that may arise among Group companies. In addition, the Internal Audit Department periodically conducts internal

audits of each subsidiary company. In addition, for our overseas subsidiaries, we have prepared a Management Book that compiles guidelines and past examples to prevent management risks that may occur at overseas locations and minimize damage when risks do emerge, and we are working to ensure that all employees are familiar with the contents of this book.

A whistleblower system has been introduced for the early detection of misconduct, including violations of laws and internal regulations. In addition to a unified internal hotline for all Group employees and directors in Japan and overseas, we have established and operate an external hotline for direct consultation with a legal advisor. In the event of a violation of laws and regulations or an event that violates corporate ethics, the Company responds promptly through convening the Corporate Ethics Committee. In addition, there were three whistleblower cases in fiscal 2022, all of which were handled appropriately.

Corruption Prevention

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

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

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