

New Medium-Term Management Plan “One2025”

In April 2023, we formulated “One2025 (One Two Zero Two Five),” our new medium-term management plan scheduled to conclude in fiscal 2025.

Missions of Nippon Pillar Packing

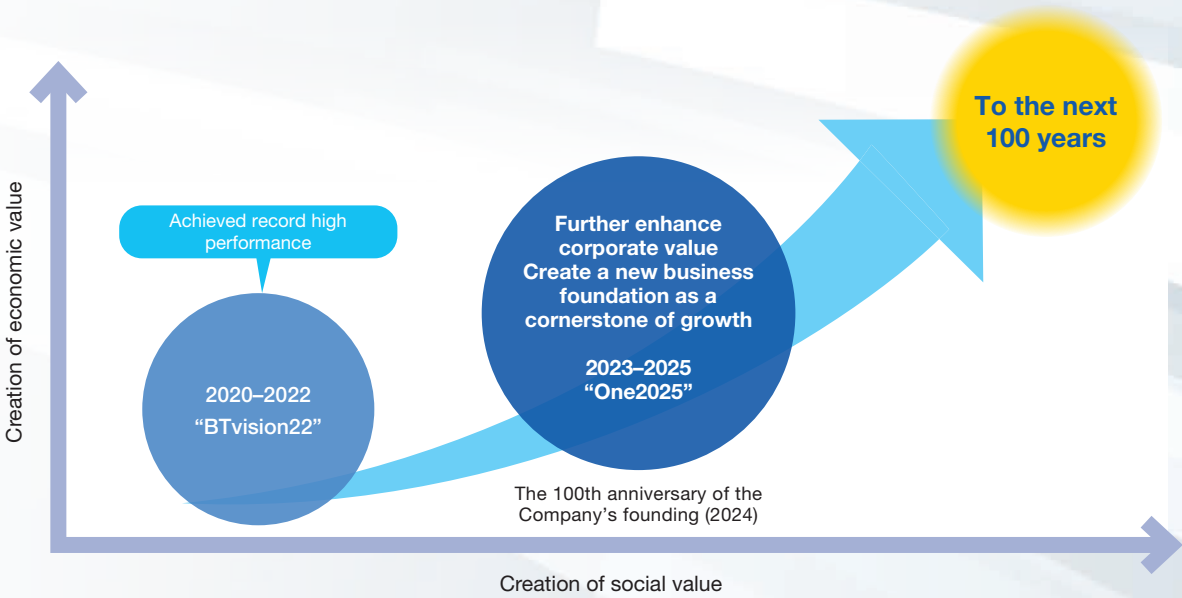
In keeping with our stated goal of supporting the future of society, our Group will continue to contribute to the emergence of a society committed to sustainability. At the same time, we will contribute to the creation of economic value with our unique fluid control technologies and cutting-edge products, technologies, and services focused on our three key words: CLEAN (representing a healthy environment), SAFETY, and FRONTIER (meeting the challenge of pioneering advanced technologies).

Creating a future that supports society



Positioning of “One2025”

Under “One2025,” which marks the centennial of the company’s founding, our Group aims to further enhance its corporate value (defined as economic value + social value). We seek to create economic value as we contribute to the emergence of a sustainable society and lay the foundation for our success in the next 100 years.



Review of the Previous Medium-Term Management Plan

“BTvision22,” our previous medium-term management plan launched in fiscal 2020, concluded in fiscal 2022. In order to maintain our growth as a means of continuously enhancing our corporate value in a rapidly changing market environment, we took steps to disrupt preconceived notions (related to processes, technological development, and costs) and achieve breakthroughs. As a result, we were able to achieve important key performance indicators related to net sales and operating income one year ahead of schedule. However, we remain unsatisfied with the current situation and intend to address ongoing development of our business structure and a transformation of our organizational structure with the aim of further enhancing our corporate value.

Overview and Challenges of “BTvision22,” Our Previous Medium-Term Management Plan

General Overview	
Enhancing business infrastructure	<ul style="list-style-type: none">Made a big leap in earnings especially in the business for the semiconductor market.Productivity improvement and many different measures made a progress toward a lean business structure.
Achieving further globalization	<ul style="list-style-type: none">Achieved our target of bringing overseas sales ratio to 30%. (Scale of sales was expanded as well.)With Pillar Technology (Chuzhou) Co., Ltd. established, now we can better meet the Chinese market.
Creating new businesses	<ul style="list-style-type: none">With our core technologies as a central focus, such technologies have been applied to the growing markets, such as hydrogen utilization and decarbonization.Industry-government-academia collaboration has been strengthened.
Promoting ESG/SDGs management	<ul style="list-style-type: none">Awarded “B-” CDP score. Disclosure contents of our ESG initiatives have been enriched.Issued Health Management Declaration and recognized as a Certified Health and Productivity Management Organization.
Financial strategy	<ul style="list-style-type: none">Achieved our target of bringing payout ratio to 30%.Started construction of Fukuchiyama Second Factory, a strategic investment to achieve business growth.

To further enhance corporate value, promote our business, and undertake organizational transformation

Challenges
<p>For continuous creation of economic and social values while flexibly keeping pace with and needs of the times</p> <p>Development of a business structure and transformation to an organizational structure</p> <ul style="list-style-type: none">Evolution of core businessesCreation of a new business foundationEnhancement of organizational and personnel strengths that have sustainability and growth potential

Financial Highlights and Targets of the New Medium-Term Management Plan

Consolidated						(Millions of yen)
	BTvision19	BTvision22				FY2025 Targets
	FY2019 Final year results	FY2020 1st year results	FY2021 2nd year results	FY2022 Final year results		
Sales	29,213	30,200	40,670	48,702		66,000
Operating income	3,683	4,847	11,392	13,842		17,000
Operating income ratio	12.6%	16.1%	28.0%	28.4%		25.7%
ROE	6.2%	7.8%	16.8%	18.6%		10% or higher
Payout ratio	36.8%	34.6%	30.3%	30.0%		30% or higher
Growth investment	(Three-year cumulative) 11,649	972	992	1,751		(Three-year cumulative) 25,000
		(Three-year cumulative) 3,715				
By segment						
Electronic Equipment Business						
Sales	18,221	20,645	30,410	36,819		48,000
Operating income	2,253	4,130	9,737	11,759		14,500
Industrial Equipment Business						
Sales	10,915	9,471	10,146	11,844		18,000
Operating income	1,404	691	1,589	2,059		2,500

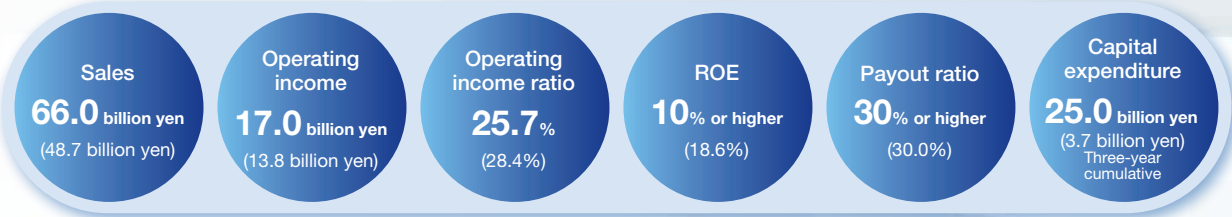
The Philosophy behind “One2025”

The concept of “One2025” embodies the four elements that represent our management philosophy.



Day One	Pioneering spirit, challenging spirit, and sense of purpose on the first day of founding
Only One	Pursuit of uniqueness that can be obtained only by our Group
Number One (No.1)	Aiming to be number one not only in business but also in terms of technical development, social contribution, and nurturing of human resources
One Team One Pillar	Activities carried out by our Group as one

FY2025 Targets (FY2022 Results)



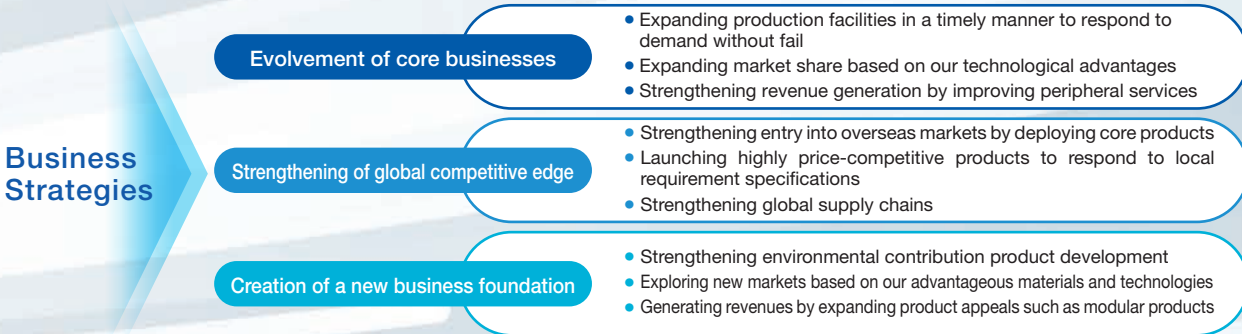
One2025 Basic Policies (Company-wide)

Under “One2025,” our medium-term management plan, we are promoting the transformation of our business operations and organizational structure. We are accomplishing this in accordance with the five policies specified below as we approach 2024, the centennial of our founding, and the start of our next 100 years of success. This effort is intended to further enhance our corporate value.

1	Evolvement of core businesses	In addition to further strengthening of core business areas, further increase economic value to offer through growth achieved by the area expansion leveraging our core technologies and evolvement not subject to the market conditions.
2	Strengthening of global competitive edge	Develop highly unique fundamental technology and strengthen responsiveness to area characteristics, thereby expanding our global share.
3	Creation of a new business foundation	In the semiconductor market and growth markets such as hydrogen and ammonia, create a new business foundation with our unique technologies and through M&A and industry-government-academia collaboration.
4	Development of sustainable management	Further develop sustainable management through investment in human resources and DX utilization that contributes to productivity improvement, as well as ESG measures.
5	Financial strategies that support growth	Enhance cash flow generation capability and pursue financial strategies to drive investment in further growth aiming at a payout ratio of 30% or more.

The Business Strategies behind “One2025”

For fiscal 2025, we are setting out to achieve net sales of 66,000 million yen and operating income of 17,000 million yen. We intend to accomplish these goals by implementing the following three business strategies: pursuing the evolution of our core businesses; strengthening our global competitiveness, and establishing a new business foundation.



Business Strategies and Measures by Segment

In the electronic equipment business segment, we will establish a solid business foundation by continuing to launch high-value-added and differentiated products in an ever-evolving and growing market. In the industrial equipment business segment, we will implement a number of measures to gain global market share in new markets that arise as part of the social effort to pursue decarbonization.

(Millions of yen)

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	Final year results	1st year results	2nd year results	Final year results	
Electronic Equipment Business					
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	Electronic Equipment Business	Industrial Equipment Business
Vision of One2025	Build a solid business foundation through continuous launch of high value-added/differentiation products to the ever evolving and growing semiconductor market.	Acquire an overwhelming global share in new markets created by “decarbonization” and other social challenges.
Creation of new businesses	<ul style="list-style-type: none"> Develop new materials and new technologies required for the next generation semiconductor market and new concepts, and launch new products. Expand business area that goes beyond parts manufacturing using our fluid control technology in a wide range. Open new market by expanding the functions of fluororesin substrates. 	<ul style="list-style-type: none"> Proactive product launch to the growth market such as next-generation batteries, hydrogen and EV Creation of new markets through technical synergies with Tanken Seal Seiko Business development by further expanding to the engineering and service business areas
Strengthening of existing markets and products	<ul style="list-style-type: none"> Expand the production functions of Pillar Technology (Chuzhou) and increase our share of the Chinese market. Proactively launch high value-added products to compete with semiconductor equipment manufacturers in the US and European markets. 	<ul style="list-style-type: none"> Development of mechanical seal products (R.J) that meet rigorous requirements for the next-generation semiconductor equipment Expansion of global market share of gland packing products that have passed international standard test
Reinforcement of the foundation to further improve competitiveness	<ul style="list-style-type: none"> Increase product supply capacity with the start of operations at Fukuchiyama Second Factory. Improve productivity and enhance cost competitiveness through continuous improvement in production technology. Enhance environmental responsiveness by promoting resin recycling. 	<ul style="list-style-type: none"> Shortening of new product development lead time and productivity improvement by digitalizing and reforming development/production process Expansion and profitability improvement of the maintenance business by enhancing function of repair bases

Developing Sustainable Management under “One2025”

Our Group has established the Sustainability Policy outlined below according to our corporate principles and management philosophy. Moreover, we are strengthening our efforts to contribute to the emergence of a society committed to sustainability as we achieve sustainable improvement of our corporate value through our business operations.

Developing a Sustainable Management System

We are focused on developing a commitment to sustainable management according to the following policy: Establishing a better management foundation through sustainable development, the digital transformation, and investments to maximize the value of human resources in addition to supporting existing ESG/SDGs measures. With regard to environmental protection and empowering our human resources, we are planning and implementing measures aligned with our nine priority targets.

Sustainability Policy

In accordance with the Corporate Principles and Management Philosophy of the Nippon Pillar Packing 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.



Nine Priority Targets

Enhancing Our Environmental Protection Efforts

We will accelerate our decarbonization initiatives, including those under the calculation of Scope 3 emissions (attributable to the value chain). Moreover, we will ensure objective disclosure by acquiring third-party certification as well as certifications under the Science Based Targets Initiative (SBTi).

We aim to obtain a Carbon Disclosure Project (CDP) score of “B” or higher as an indicator of the Group’s efforts to address climate change.

Priority Targets	Environmental Protection
1	Reducing Scope 1 and Scope 2 greenhouse gas emissions by 25% compared with fiscal 2013
2	Abolishing the use of three of the chemical substances specified by the Pollutant Release and Transfer Register (PRTR) Act
3	Obtaining and maintaining at least CDP score “B”

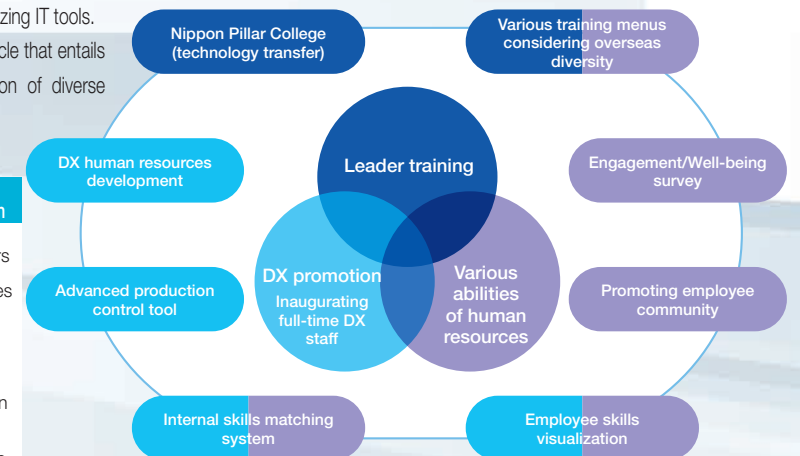


Ensuring Active Participation of Human Resources and Growth of Our Organization

We will pursue sustainable growth of our organization by drawing out the capabilities of our diverse personnel, participating in the digital transformation, and utilizing IT tools.

By actively investing in human capital, we will achieve a virtuous cycle that entails securing diverse human resources; promoting the active participation of diverse personnel; promoting sustainable organizational growth; achieving business growth; and addressing social issues.

Priority Targets	Ensuring Active Participation of Human Resources and Growth of Our Organization
4	Achieving at least 5% for the percentage of female managers
5	Achieving at least 75% for the percentage of male employees taking childcare leave
6	Increasing the amount invested in human resources development per person by 20%
7	Implementing management training related to various human resources utilization
8	Implementing training for mastering the use of practical tools to cultivate human resources for digital transformation (DX)
9	Utilizing digital tools to inherit professional skills and to master advanced skills efficiently



Tanken Seal Seiko Co., Ltd. joining the Group will lead to further growth and development.

In April 2023, our Group acquired Tanken Seal Seiko Co., Ltd.

This acquisition will create synergies through integration and from the complementary aspects of technologies, sales, production, and procurement divisions. We believe this acquisition represents a catalyst for the Industrial Equipment segment. In addition, we are creating management synergies as we integrate our management systems in order to improve efficiency and reduce costs.



Tanken Seal Seiko Co., Ltd. achieves successful domestic production of carbon rings.

Tanken Seal Seiko Co., Ltd. is a seal manufacturer that has been manufacturing and selling mechanical seals for rotating machinery such as pumps and agitators since 1955. Since then, under the motto of “providing support that enables our customers to maintain safe and continuous operation,” the company has been expanding its business performance and earning high praise and trust by offering detailed customer support.

When the company was founded, it achieved successful domestic production of carbon rings, the principal component of mechanical seals, and has recorded a history of providing quality comparable to that of the foreign products that were mainstream at that time. More recently, the company has developed exceptional expertise not only in the production of carbon rings but also in mechanical seal manufacturing technology and handling methods. The company contributes to society through its proprietary products, including porous carbon, and support services.



Head Office Factory of Tanken Seal Seiko Co., Ltd.