

Evolving our business and accomplishing strategic investment for the next stage of growth to open up new markets

At this point in time, as we celebrate the 100th anniversary of our founding with our best-ever results, we are evolving into a company that will grow sustainably for the next 100 years.

Katsuhiko Shukunami
Director, Senior Executive Officer



Record Highs in Sales and Income in Fiscal 2023

Financial results for fiscal 2023, the first year of our Medium-Term Management Plan One2025, showed that we had achieved record highs for both consolidated sales and operating income for the third year in succession.

Looking at segment sales, in our Electronic Equipment Business, orders of products in the core field of semiconductors were on a downward trend, although we covered this by endeavoring to sell at fair prices in response to fulfilling a backlog of orders and to price hikes for raw materials. Sales of seismic isolation products for semiconductor factories and public facilities also increased, and in the segment as a whole, higher revenue were coupled with lower profits.

On the other hand, in our Industrial Equipment Business, despite the sluggish performance of mechanical seals for precision machinery, there were increases in revenue and profits due to favorable progress with the demand for replacement parts at overseas plants, projects related to the resumption of operations at domestic nuclear power plants, capital investment projects related to safety measures at petrochemical plants, and so on. Another factor in these increases was the achievement of record sales and operating income by TANKEN SEAL SEIKO CO., LTD., which became part of the PILLAR GROUP in April 2023. With the acquisition of TANKEN SEAL SEIKO by the Group, I can sense a response toward management that is improving business synergy between the two companies.

As a financial measure, we also issued green bonds with a total value of 10 billion yen as construction costs for the Fukuchiyama Factory No. 2 (which has acquired Comprehensive Assessment System for Built Environment Efficiency (CASBEE) rank S certification) and the R&D Center at the Sanda Factory (which has acquired CASBEE rank A certification). This is the first time PILLAR has issued green bonds and we were apprehensive about the reaction of our investors. Ultimately, however, we acquired a bond rating of A- and were able to obtain funding without a problem. I believe that having various means of raising funds leads to a greater breadth of financial

strategy, and going forward, we will give this matter further consideration as occasion demands.

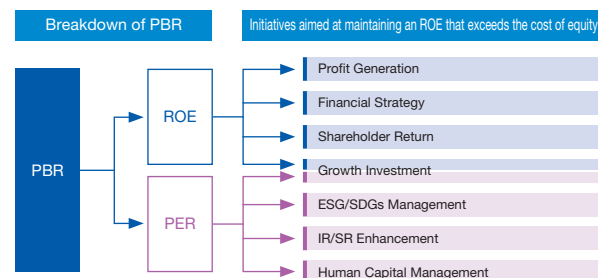
Toward Management with an Awareness of Shareholder Capital Costs

In view of the needs of society, in May 2024, we disclosed our response to the issue of realizing management with an awareness of our capital costs and stock price.

Taking into account rising beta values and the risk premiums being sought by listed companies, we perceive current capital costs as being roughly 10%. With that in mind, we are also aiming for return on equity (ROE) to exceed capital costs at a level of 13 to 15%.

Our price-to-book ratio (PBR) fell below 1.0 between April 2018 and April 2021, which we acknowledged as being due to issues in management. Alongside increased ROE, our stock price rose by approximately 70% in one year, which I feel is an appreciable level. Including the Company President, we are proactively working on IR activities, and I believe that increasing interaction with external stakeholders has been an obvious result of this.

At the same time, our price-to-earnings ratio (PER), which bottomed out in April 2022, has achieved a 10- to 15-fold increase, and I think there is still room for improvement here. We anticipate that recovering investment and being recognized by the market for doing so will lead to an even higher stock price. Going forward, we aim to achieve ROE in excess of shareholder capital costs and to extend our equity spread.

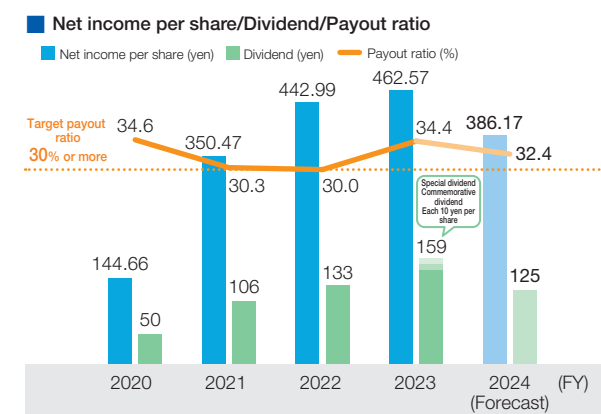


Progress of the Medium-Term Management Plan One2025 and Growth Investment

We plan to set a new record in fiscal 2024 with consolidated sales of 62 billion yen. At the same time, due to greater depreciation in fiscal 2023 investment projects, along with investment in production facilities and R&D as a consequence of ongoing growth and further expansion of the semiconductor market, we expect a drop in operating income. Initially, this year's semiconductor market was expected to plateau, but a rapid recovery became apparent from the second half of the year, and we are pushing to maintain appropriate levels of inventory and improve productivity.

We will also continue to consider M&A with a view to further growth. In terms of creating synergy with TANKEN SEAL SEIKO, we are reducing costs and streamlining work, for example, by unifying parts of the supply chain and reorganizing bases at both companies. Going forward, we will also build a cross-selling structure for handling the products of both companies in all sales channels.

Furthermore, with shareholder returns in fiscal 2023, as an expression of many years of gratitude, in addition to the ordinary dividend, we were able to pay a special dividend of 10 yen per share and a commemorative 100th anniversary dividend—also of 10 yen per share—making for a total amount of 159 yen per share. Going forward, our intention is to return 30% or more of net income per share in line with our dividend policy.



We will be flexible in our consideration of stock repurchasing while keeping a close eye on the status of investments and cash flow. We are also strategically investing for sustainable growth and monitoring the situation to see if this generates sales and income.

Developing Sustainable Management

We will invest proactively to develop sustainable management, particularly in relation to organizational growth and the active participation of human resources. We designated fiscal 2023 as our first year of investing in

human capital, establishing KPIs that we believe are important to the Company, and we have since prioritized our investment accordingly. We have enhanced our system for obtaining qualifications and we are also advancing the reexamination of our personnel system in keeping with the times. We are also reviewing items with which progress has been unfavorable in relation to KPIs and considering our next steps.

Employees from locations around the world gathered for a ceremony held on May 22, 2024 to commemorate the Company's centennial. I have felt an increasing sense of engagement through this and other anniversary events. Going forward, we intend to meticulously implement measures based on an engagement survey and its results, with a view to the hiring and settling in of talented human resources. In that context and among other things, I would like our employees to be conscious of the social responsibilities that PILLAR must fulfill as a company that manufactures products with a significant global market share.

We are also utilizing digital transformation (DX) in the optimization of internal operations and in the advancement of business-related research and development. While hiring human resources with high levels of expertise, we will continue to invest in analysis technology, and particularly thanks to the efforts of specialist departments, to work on DX across the Company.

The Medium- to Long-Term Improvement of Our Corporate Value and Looking Ahead to the Next 100 Years

As we celebrate the 100th anniversary of our founding, our response to sustainability issues cannot be ignored if we are to achieve further growth, and we recognize that such initiatives will also help to reduce capital costs. In addition to human capital management, from an environmental perspective, I believe it is necessary for us to consider reducing greenhouse gas emissions in the supply chain as a whole and disclosing information in accordance with TNFD recommendations. I would also like us to enhance disclosure in line with multiple initiatives, and to create a virtuous circle in order to gain the trust of our stakeholders. In addition, we are aware that our ability to generate stable income is a prerequisite of sustainable management, and in line with improved performance, we will develop and enhance an internal structure that is in keeping with the scale of that performance.

The Company name changed as of July 1, and we have newly established our PILLAR CORE VALUES. Going forward, we will further evolve our business and achieve sustainable growth while fulfilling our social responsibilities as a company.