

One2025, Pillar's new medium-term management plan, gets underway as we reach our 100th anniversary in 2024, preparing for another century in business

Fiscal 2022 was the final fiscal year of our previous medium-term management plan, **BTvision22**, a year in which we achieved record highs in sales, operating income, and net income. With our new three-year plan, **One2025**, as we mark the Company's 100th anniversary, we are building a management base for the next hundred years by continuing to improve business value.

President




Since 1924, Nippon Pillar Packing Co., Ltd. has offered products and services based on fluid control technologies, contributing to the advancement of global society while promoting a clean environment, safety, and frontier innovation. Approaching our 100th anniversary in 2024, we shall maintain **our founding spirit of boldly taking on challenges***1, based on which we will continue to innovate and achieve

sustainable growth as we maintain an indispensable presence in society.

To achieve our goals, we must join together to address societal issues of all kinds and find solutions. In these endeavors we take guidance from our corporate principles posted at every workplace: "Quality First, Cooperation and Harmony, Steady Research."

We have also established a management philosophy that challenges our employees to consider how our products can help society. **Our purpose: Creating a future that supports society***2—that is our philosophy in a nutshell. We generate unique value in our two business segments—electronic equipment and industrial equipment—based on the principles of a clean environment, safety, and frontier innovation. We will embrace new possibilities, accepting the challenge of shaping a future in which we contribute directly to supporting society.

Management Philosophy

1. To contribute to the creation of an earth with a pleasant living environment, and an affluent social climate.
2. To offer original, high-quality products, and strive to be a company that is essential to the customer.
3. To abide by legal and social norms, and engage in proper, sound business practices.

A Review of Our Efforts in FY2022

Over my 10 years in company management, including three years as president, 2022 was without a doubt the most challenging year and an important one for steering the Company forward.

While orders for fluororesin products were high due to a thriving semiconductor market, we also faced shortages in raw materials. In order to uphold our end of the bargain with customers depending on us, we had to scramble to find replacement materials or reuse raw materials, something we had been pursuing in recent years through our circular economy initiatives. We took ideas from across the Company and tried many things to be able to increase our supply of products. We had to visualize scenarios for the Company on a regular basis and came together to overcome a huge challenge, so I believe that facing this disruption of the supply chain and the risks it posed was an invaluable experience.

Due in part to these efforts, in fiscal 2022 we achieved **record highs in sales, operating income, and net income for a second straight year***3. We revised our forecasts upward during the term and results eventually outpaced even that revision, I am proud to say.

The **Electronic Equipment Business***4 performed well throughout the fiscal year with strong demand from the

(Millions of yen)

	FY2022
	Final year results
Sales	48,702
Operating income	13,842
Operating income ratio	28.4%
ROE	18.6%
Payout ratio	30.0%
Growth investment	3,715 (Three-year cumulative)

semiconductor market. We had been concerned about restrictions on exports to China, but these had limited impact and the best-ever results were achieved for the second year running.

The **Industrial Equipment Business***5 also did well, with continued growth in mechanical seals for precision machinery; sales by segment were up 1.7 billion yen (+16.7%) year-on-year, also a record high.

Overseas sales*6 were also strong in the U.S.A., Asia, and China, and the ratio of overseas sales to total sales was 31.1%, a further increase over the previous year's 30.5%.

We feared a drop in the operating income margin in fiscal 2022 due to the rise in prices for materials, but an increase in sales and a favorable exchange rate, plus the understanding of customers in passing along costs in the prices of some products helped us to achieve a high operating income margin of 28.4%, exceeding the previous year.

Thoughts on One2025, Begun in FY2023

I would like to celebrate our 100th anniversary in 2024 with the company in good form. Vital to ensuring that is our three-year **medium-term management plan, One2025 ("One Two Zero Two Five")***7, that commenced in fiscal 2023.


We imbue the word "One" with four meanings: Day One—recalling the pioneering spirit and sense of challenge and purpose on the first day of the Company's founding


Only One—pursuing a path unique to our group that no other company can imitate


Number One—aiming to be the best in developing both human resources and technology and contributing to society; and


One Team One Pillar—carrying out activities together as a group


*1  P5 "A Record of Growth"


*2  P1 "Purpose"

*3  P16 "Financial Highlights and Targets of the New Medium-Term Management Plan"

*4  P23-24 "Electronic Equipment Business"

*5  P25-26 "Industrial Equipment Business"

*6  P14 "Sales trend outside Japan"

*7  P15-20 "New Medium-Term Management Plan "One2025"

Message from the President

With this medium-term management plan we have established **five basic policies to promote business innovation and organizational transformation**^{*8} to further enhance corporate value.

1. Evolve our core businesses

We will achieve growth by expanding applications for our core technologies and strengthen earning power through advances that are not subject to changeable market conditions.

2. Strengthen our global competitive edge

We will develop highly unique fundamental technologies and boost our responsiveness to needs based on regional characteristics, thereby expanding our global market share.

3. Create new business foundations

We will create new foundations for business in the semiconductor market and in growth markets such as hydrogen, ammonia, and electric vehicles (EVs). We will establish a new Innovation Center at the Sanda Factory (in Sanda, Hyogo), our mother factory, building an environment to focus on R&D that promotes synergies with people and ideas from outside the Company to generate technologies that will support growth.

4. Develop sustainable management

We will promote environmental, social, and governance (ESG) measures, invest in human resources, and carry out digital transformations (DX) to boost productivity.

5. Financial strategies that support growth

We will enhance our cash flow generation capabilities and pursue financial strategies to drive growth with a target payout ratio of 30% or more. We will invest in sustainable growth, including a capital investment of over 10 billion yen in the **Fukuchiyama Second Factory**^{*9}.

Efforts to Meet Our Medium-Term Management Plan Targets

We plan to further add value as a company in three ways to meet the targets set forth in the medium-term management plan.

The first is by differentiating through our technologies. For example, in fitting products for the semiconductor market, where the customer benefits from minimized pressure loss, we employed our molding technology to create Sweep Elbow

to meet that need—one competitive advantage we maintain over other companies through a proprietary technology that cannot be copied.

The second way we add value is through capacity. We plan to make investments to expand manufacturing capacity in anticipation of customer needs so that no prime opportunities are missed. First, we will start investing capital in time-intensive land acquisition and the building of structures to enable the expansion of capacity by flexibly adding manufacturing equipment according to demand. This approach ensures that we will be able to keep investment low if the market drops and keep pace with demand when it surges.

The third way we add value is through brand power. This means building customer trust through a proven record of no fluid leakage and no splitting in Nippon Pillar Packing's fittings. We will continue to buoy trust through integrity and increase our brand power, enabling us to meet our targets.

Growth in the semiconductor market is expected to level off in fiscal 2023. However, we must continue to meet a backlog of orders, respond to new demand, and prepare ourselves to ride the next big wave. In the industrial equipment market, we foresee the expanded use of hydrogen and ammonia in working to achieve carbon neutrality and growth in products for electric vehicles (EVs). By investing in these business areas, we aim to discover new growth drivers.

Over the last 10 years or so, our business selling to the semiconductor market has grown immensely. Electronic equipment business now accounts for three-quarters of sales (to one-quarter for industrial equipment business). In implementing the One2025 plan, we aim to put the industrial equipment business back on track for growth and grow both businesses in a balanced way. The **Tanken Seal Seiko merger**^{*10} in April 2023 is part of that strategy.

We plan to increase the scale of our high-margin businesses while strengthening our portfolio and cultivating strong, new core businesses—expanding the current two to three, then four. While keeping our existing businesses strong, it is my job as president to make decisions about cash allocation and take action to nurture the seeds of new businesses so that we can minimize corporate value in the medium to long term.

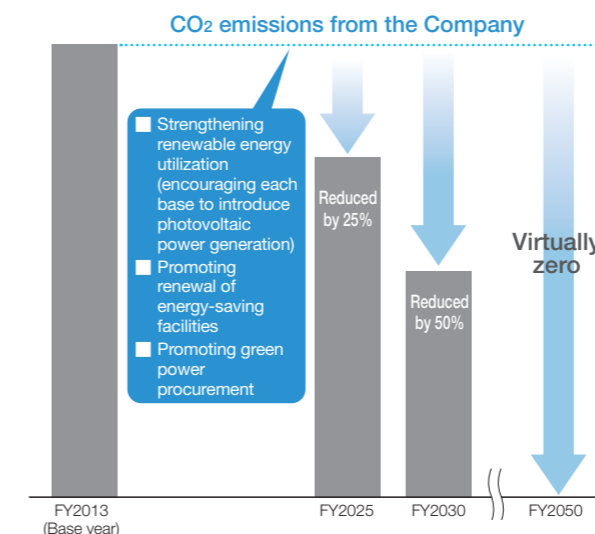
Our Commitment to the Next 100 Years

Members of the Board of Directors, the key to corporate governance, are **evaluated on a skill matrix**^{*11} based on their knowledge and abilities, with **outside directors**^{*12} giving an especially honest opinion from an outside perspective. To heighten the outside directors' understanding of our business and deepen the discussion, we held a Board of Directors' meeting in fiscal 2022 at the Kyushu Factory, where they could experience firsthand the atmosphere of an expanding semiconductor market.

The number of matters coming before the Board of Directors to be reported, discussed, and decided upon has been on a marked rise and the Board is taking on greater importance, so I would like us to continue engaging in discussions with a broad-minded approach.

ESG initiatives are being promoted by the ESG/SDGs Promotion Committee established in April 2021. By organizing actions related to the environment, social issues, corporate governance, and sustainable development goals, we are enhancing the effectiveness of efforts to achieve balanced, sustainable development in harmony with society.

On the environmental front, we have set a **reduction target for our own CO₂ emissions (Scope 1+2)**^{*13} in our medium-term management plan, aiming to achieve a 25% reduction by fiscal 2025 from the fiscal 2013 level, with the goal of "virtually zero" emissions by fiscal 2050. To achieve



this, measures being taken include introducing solar power generation and promoting green energy procurement at all business sites.

In the area of **human capital**^{*14}, we consider diversity to be vital to business growth, as we believe diverse outlooks among employees from a range of backgrounds give rise to innovation.

To promote diversity, not only are we hiring personnel from diverse backgrounds, but we also conduct management training in which emphasis is placed on drawing out new ideas from teams based on a fundamental respect for dissimilar values. We also established a Human Resources Strategic Group to support employees in overcoming challenges and systematically fostering their development.

We are also working to strengthen **risk management**^{*15}, given the current volatility in the business environment. The Risk Management Committee was newly established, taking over the functions of the former Crisis Management Committee and BCP Committee. Crisis Management Rules were laid out for use by all group companies as part of a risk management system we are building to respond rapidly to risks involving our business activities.

Our 100th anniversary year of 2024 will be a major turning point for the Group. As the anniversary approaches, I would like to see us achieve good results both in business and in organizational reforms in fiscal 2023 to stand us in good stead. The figure of 100 billion yen in market capitalization should not be considered a peak that we have attained, but merely a milestone along our journey. We have already demonstrated our capacity for growth, and I believe we have the potential to achieve much more.

Together with our employees, I will continue to stride forward through thick and thin and earn the trust of our stakeholders. Keep an eye on Nippon Pillar Packing as we become a better company and achieve further growth. I'm sure there will be plenty of good news ahead.

*8 [P17](#) "One2025 Basic Policies (Company-wide)"
 *9 [P29-30](#) "Manufacturing Capital Supports Growth"

*10 [P19-20](#) "Tanken Seal Seiko Co., Ltd. joining the Group will lead to further growth and development."

*11 [P37](#) "Executive Skills Matrix"
 *12 [P35-36](#) "Special Feature: Message from the Outside Directors"
 *13 [P20](#) "Nine Priority Targets Enhancing Our Environmental Protection Efforts"
[P50](#) "Information Disclosure Based on the TCFD recommendations"

*14 [P44-46](#) "Human Capital (HR Strategy)"
 *15 [P42](#) "Risk Management"