



PILLAR

Green Bond Framework



NIPPON PILLAR PACKING CO., LTD.

Green Bond Framework

November 2023

1. Introduction

Nippon Pillar Packing Co., Ltd. ("the Company") has established the Green Bond Framework ("the Framework") as outlined below. Recognizing that environmental issues are a challenge common to all mankind, the Company is aware of its social responsibility as a corporation, and is actively working to preserve the global environment as a good corporate citizen.

Through the issuance of green bonds based on the framework, we will communicate our ESG management efforts to stakeholders, including our business partners, shareholders and investors, government authorities, local communities, and employees. Furthermore, by disseminating information through the implementation of financing, we strive to strengthen our engagement with stakeholders, contribute to the achievement of the Sustainable Development Goals, and ultimately aim for the realization of a sustainable society.

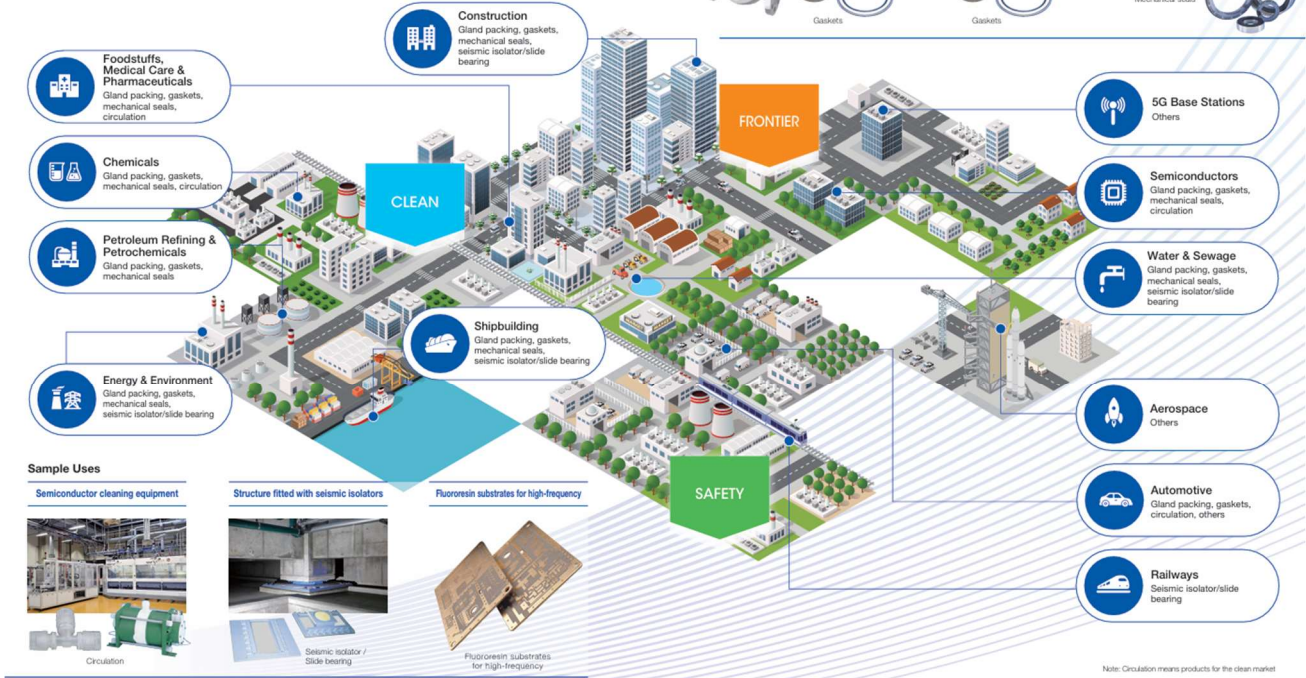
2. Corporate Profile

In May 1924, Kaju Iwanami devised an alloy pillar packing for cylinder-ground marine reciprocating engines and established Nippon Pillar Packing Industries.

Since our founding in 1924, we have been utilizing technologies for controlling fluids to provide a range of innovative, high quality products that includes mechanical seals, gland packings, gaskets, and Pilaflon™ (fluorocarbon polymer) products. As indispensable high-performance components, our products are actively used in a wide range of industrial applications that include electric power, petroleum, automobiles, chemicals, marine vessels, semiconductors, and pharmaceuticals.

Contributing to the Safety and Security of Society and the Environment through the Control of a Wide Range of Fluids

We are a manufacturer skilled in the design, development, and manufacture of equipment to control fluids such as water, oil, toxic gases and chemicals, and more. Our products are used in facilities that are essential to the functioning of daily life. Moreover, they contribute to environmental preservation, resource conservation, and the protection of lives and property.



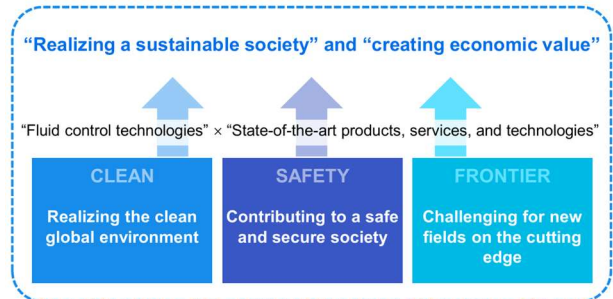
With “CLEAN,” SAFETY” and “FRONTIER” as key words, we seek to create a future in which Nippon Pillar Packing supports society using our proprietary fluid control technologies, providing state-of-the-art products, technologies, and services to continue contributing to realizing a sustainable society and creating economic value.

Celebrating the 100th anniversary of our founding, we have renewed our commitment to delivering high-performance products that fully meet the needs of our users and contributing to the emergence of a society committed to sustainability in the spirit of our Corporate Principles: “Quality First, Cooperation and Harmony, and Steady Research.”

3. Our Sustainability

Our Approach to Sustainability

In accordance with the Corporate Principles and Management Philosophy of the company, we will contribute to a sustainable society through our business and seek sustainable enhancement of corporate value.



Sustainable Policy

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

Sustainability Management

Basic policies and important matters related to sustainability are discussed and decided by the ESG/SDGs Promotion Committee, and reported to the Board of Directors on a regular basis. A system is in place to ensure appropriate oversight by the Board of Directors. In the ESG/SDGs Promotion Committee, we report on the policies, activity plans, and initiatives of various committees related to sustainability, including the CSR Committee, the Decarbonization and Global Environment Committee, and the Risk Management Committee.



4. Our materialities and SDGs

We have identified materialities that the Group should address in order to both contribute to a sustainable society through our business and to achieve the sustainable enhancement of our corporate value, as stated in the Sustainable Policy. These identified materialities will serve as a guidepost for our Group's business activities, helping us to create a positive impact on society and the environment through our business activities, or to reduce the negative impact our Group has on these realms. We will review and revise these materialities from time to time based on the business environment in which our Group operates, changes in the needs of social challenges globally, and advice received through dialogue with our stakeholders. In addition, we will set targets for addressing these materialities.

The Nippon Pillar Packing Group has identified material issues that must be addressed in order to contribute to the emergence of a society committed to sustainability. As set forth in our Sustainability Policy, we aim to achieve sustainable improvement of our corporate value through our business operations.

Materiality matrix

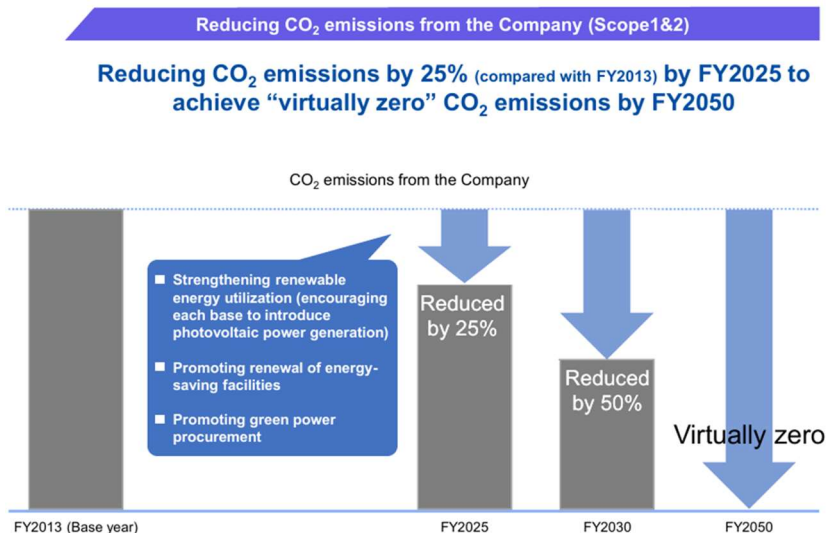


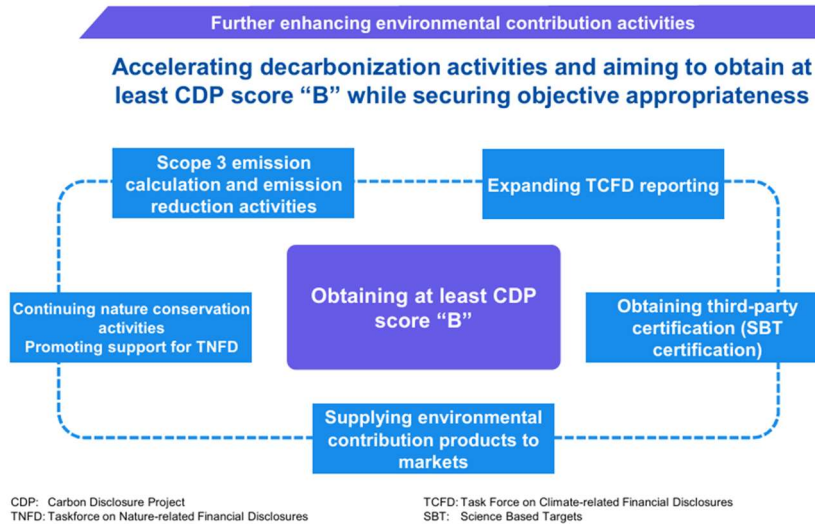
The Nippon Pillar Packing Group's Material Issues

- 1 Development and manufacture of products through the use of fluid control technology and material technology, etc., to enable decarbonization and energy conservation
- 2 Expanding clean energy and energy savings in manufacturing
- 3 Development and manufacturing of sealing products using IT/DX technology and sustainable raw materials
- 4 Development and manufacture of resource-conserving products
- 5 Resource efficiency and sustainability through improved production technology (IT/DX, automation), etc. and 3Rs of waste
- 6 Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources
- 7 Prevention of chemical pollution in manufacturing and conservation of water resources
- 8 Promoting biodiversity conservation at each site
- 9 Development and manufacture of products to cope with disasters such as earthquakes and floods
- 10 Development and manufacturing of new products by applying technology to meet market needs (sensor business, IoT utilization, etc.)
- 11 Pursuit of safety and quality assurance of product services
- 12 Occupational safety and health
- 13 Respecting human rights and promoting diverse human resources and work styles
- 14 Human resources development, recruitment and retention
- 15 Creating innovation through industry-government-academia collaboration
- 16 Promoting CSR procurement
- 17 Contribution to regional and community development
- 18 Ensuring board independence and transparency
- 19 Establishing a system for managing potential risks in business activities
- 20 Implementing our corporate principles and integrity
- 21 Corruption prevention

5. Important Measures for Environmental Contribution

The scope and extent of the impacts of climate change on the global environment and the lives of citizens are expanding, including more frequent and severe wind and flood disasters and instability in the energy market. The role that companies should play in mitigating and adapting to climate change is becoming increasingly important, and we consider climate change to be an important social issue. In addition, our customers and markets are rapidly moving toward decarbonization and carbon neutrality. Demand for semiconductors, which are indispensable for the shift to new clean energies and more efficient energy use, is expected to rise, and we intend to further increase our contribution to the decarbonization of markets and society through our technologies and products.

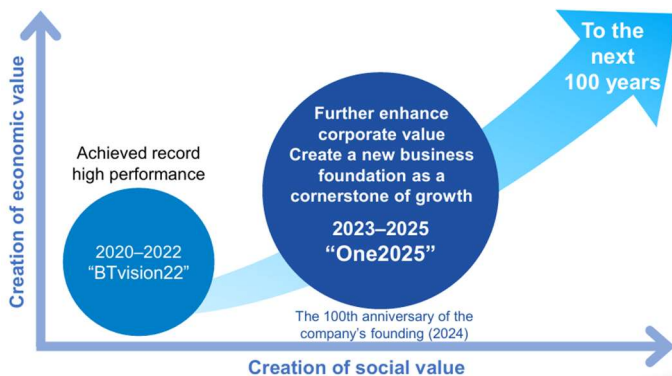




6. Medium-term Management Plan One2025

The Company commenced its new three-year medium-term management plan, "One2025" in fiscal 2023. At this turning point marked by the 100th anniversary of the company's founding, we launched efforts for further improvement of corporate value (economic value X social value) and began laying the foundation to make a leap forward toward the next 100 years.

Positioning of "One2025"



Basic Philosophy of "One2025"



Four "Ones" that the name stands for

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

Basic Policies (Company-wide Policies)

Promoting Innovative Business/Organizational Change and Transformation for Further Corporate Value Enhancement

1	Evolution 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 evolution 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.

Non-financial Items: Priority Targets

Aiming to develop sustainable management and setting nine priority targets

Priority targets	
Environmental contribution products	<ol style="list-style-type: none"> 1. Reducing Scope 1 and Scope 2 greenhouse gas emissions by 25% compared with FY2013 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"
Active human resources / Organizational growth	<ol style="list-style-type: none"> 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 resource development per person by 20% 7. Implementing management training related to various human resource 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

7. Green Bond Framework

The Company will raise funds by issuing green bonds in accordance with this Framework. The Framework is aligned with the Green Bond Principles 2021 of the International Capital Market Association (ICMA) and the Green Bond Guidelines 2022 of the Ministry of the Environment.

The Framework has obtained a second opinion regarding its compliance with the above principles and guidelines from the independent external organization, Rating and Investment Information, Inc. (R&I) .

(1) Use of Proceeds

The proceeds will be allocated to new financing and refinancing for projects that meet the Company's following eligibility criteria. Refinancing covers projects implemented within two years prior to the financing.

ICMA GBP Category	Eligible Criteria
Green building Energy efficiency	<ul style="list-style-type: none">■ Construction/acquisition and capital expenditures of buildings that have obtained or are scheduled to obtain any of the following certifications<ul style="list-style-type: none">· LEED: SILVER or higher· BREEAM: Very good or better· CASBEE: B+ or higher (including municipal version)· DBJ Green Building Certification: 3 stars or higher· BELS: 3 stars or higher· ZEB/ZEH-M/ZEH (including nearly, ready, oriented)

Exclusion Criteria

The proceeds will not be allocated to projects related to the following transactions: unfair transactions that do not comply with the laws and regulations of the country of residence; and transactions that may cause human rights, environmental or other social problems, such as bribery, corruption, blackmail, and embezzlement.

(2) Process for Project Evaluation and Selection

The projects to be funded will be selected based on their compliance with the eligibility criteria by the Accounting Department and the Corporate Planning Department of the Management Headquarters, with the final decision made by the Senior Managing Executive Officer and Head of the Management Headquarters. For all eligible projects, it will be confirmed that the following measures are in place to mitigate environmental and social risks.

- Compliance with environmental laws and regulations required by the national government or the local government where a project is to be implemented, and implementation of environmental impact studies as necessary

- Providing adequate explanations to local residents when conducting a project
- Implementing procurement of materials, prevention of environmental pollution, and consideration of the working environment and human rights in accordance with the Company Group's Environmental Policy and Human Rights Policy

(3) Management of Proceeds

The Accounting & Financial Department of the Administration Headquarters is responsible for the allocation and management of the proceeds. The department will track and monitor the proceeds annually using an internal control system so that the amount equal to the proceeds raised under the Framework will be allocated to eligible projects.

The proceeds will be managed in cash or cash equivalents until allocated to eligible projects. The allocation of the proceeds is scheduled to be completed within two years of issuance.

(4) Reporting

The Company will report the allocation of proceeds and environmental benefits from projects to which the proceeds are allocated on its website annually.

① Allocation Reporting

The Company will report the following items related to the allocation of proceeds to eligible projects until all proceeds are allocated to the extent practicable annually.

- Allocated amounts and unallocated amounts for each eligible project
- If there are unallocated amounts, the expected timing of allocation and how to manage the funds during the unallocated period
- Percentage of financing and refinancing

When a significant change occurs in the allocation status after proceeds are allocated, the Company will disclose in a timely manner.

② Impact Reporting

The Company will report the following items related to the environmental benefits from eligible projects until all proceeds are allocated to the extent practicable annually. In addition, when a significant change occurs in the allocation status, the Company will disclose in a timely manner.

ICMA GBP Category	Impact Reporting Items (Examples)
Green building	<ul style="list-style-type: none"> • Overview of the property
Energy efficiency	<ul style="list-style-type: none"> • Type of certification and acquired rank