

Message from the Deputy President

Financial Strategy and Human Capital Strategy

Assessing demand and proactively investing in overseas operations and human capital

Toward a business portfolio that generates higher profitability

Strengthening the foundation through proactive growth investments, as we continue to enhance our initiatives on sustainability and ESG, and evolve to become a company supported by our stakeholders.

Katsuhiko Shukunami
Director, Deputy President



Despite a Decline in Revenue and Profit due to Sluggish Performance in the Electronic Equipment-Related Business, the Industrial Equipment-Related Business Achieved Record-High Sales

In the second year of the Medium-Term Management Plan One2025, fiscal 2024 results unfortunately fell short of the planned sales and profits. Net sales were ¥57.9 billion, down 1.1% year on year, while operating profit was ¥11.3 billion, a 20.2% decline.

The primary factor behind the decline in sales was the weak performance of the electronic equipment segment. Although we anticipated a recovery in semiconductor market demand in the second half, it did not materialize as expected. Demand for semiconductor manufacturing equipment in Japan did rise, but the growth was driven mainly by back-end equipment related to generative AI, whereas demand for front-end manufacturing equipment, where we have strengths, remained sluggish. In addition, prolonged adjustments to product inventories that customers had built up in response to raw material shortages from 2021 to 2023 also contributed to slower orders.

Operating profit was further pressured by the heavy depreciation burden from the Fukuchiyama Factory No. 2 and the R&D Center at the Sanda Factory, both constructed in 2023, which raised fixed costs. Expenses related to the Company's 100th-anniversary events also played a part.

By contrast, the industrial equipment segment was driven by TANKEN SEAL SEIKO, which was integrated into the Group in 2023. TANKEN SEAL SEIKO achieved record sales and profits for the second consecutive year. Because we operate in the same industry, our investment decisions aligned well with business growth opportunities and were executed swiftly, producing these strong results.

Overseas sales for fiscal 2024 reached a record high of ¥17.2 billion. The overseas sales ratio of 29.7% was slightly below the previous peak of 31.1% in fiscal 2022, mainly because most of TANKEN SEAL SEIKO's sales are domestic. Excluding TANKEN SEAL SEIKO, however, the overseas sales ratio rises to about 33%, indicating real growth. Looking ahead, we will continue to monitor developments closely, particularly the impact of U.S. tariffs under the Trump administration, on overseas sales.

No Expectation of a Rapid Semiconductor Market Recovery

Building Future Profit Growth Through Highly Efficient Production Processes

For fiscal 2025, we anticipate that the recovery in semiconductor market demand will remain slow, and the outlook continues to be challenging. We recognize significant hurdles in achieving the targets of our ongoing Medium-Term Management Plan One2025. While much of this difficulty stems from market conditions, we have been steadily implementing the initiatives set forth in One2025. As a result, we are now positioned not only to increase sales but also to expand profits once semiconductor demand recovers.

In the electronic equipment segment, we have strengthened not only production capacity to keep pace with increased orders once demand rebounds but also advanced production efficiency. At the Fukuchiyama Factory No. 2, we have realized a highly efficient production process by minimizing manpower requirements. Processes such as cleaning, drying, and transport are automated as much as possible, and tasks like product picking, once requiring tens of workers, are now automated through barcode scanning. In the fourth quarter of fiscal 2024, the factory's operating rate remained around 60%,

yet it still secured an operating margin of 20%. As order volumes increase and utilization rises, we expect both sales and profits to grow substantially.

In the industrial equipment segment, we aim to expand sales of rotary joints, functional components for semiconductor manufacturing equipment, and increase our global market share. At the same time, we are focusing on product development for growth fields such as hydrogen, SAF (Sustainable Aviation Fuel), and natural gas: areas that support decarbonization and low-carbon energy. In addition, in Japan, where the declining labor force is driving greater outsourcing of plant maintenance and servicing, we plan to strengthen our maintenance and servicing business within our existing product areas.

Two Businesses with Growth Potential

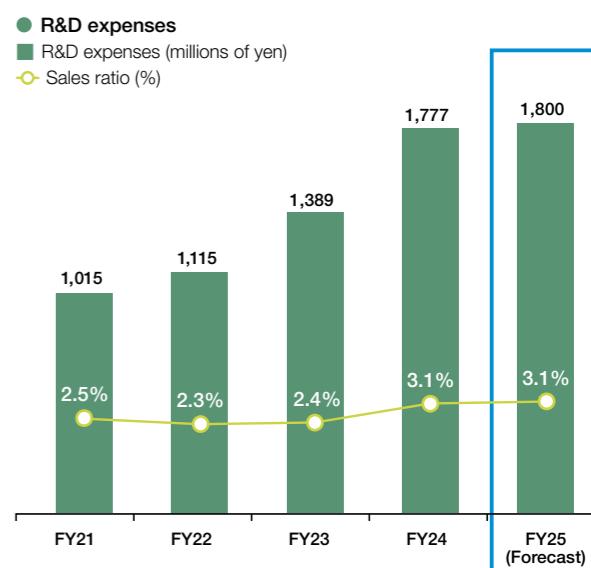
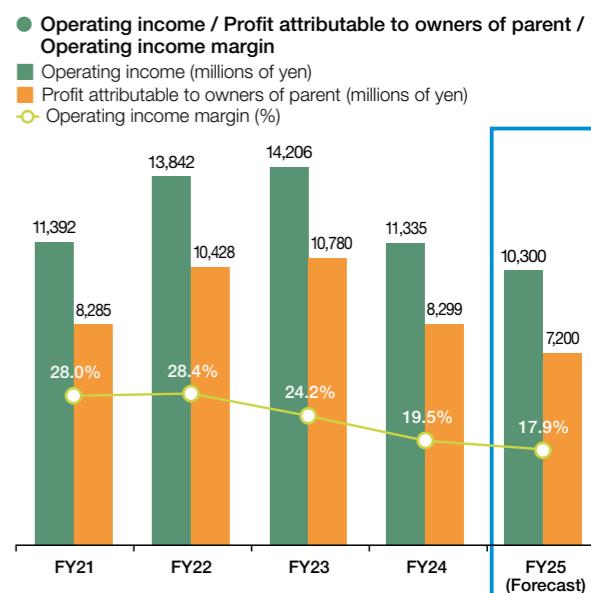
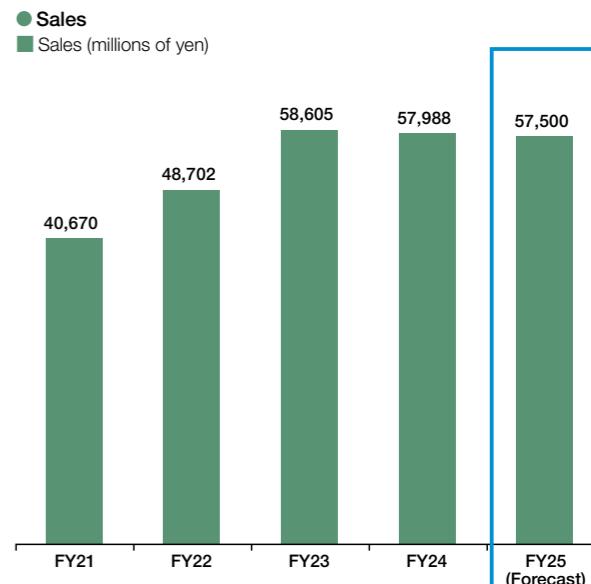
Expanding Segments While Reviewing Product Lines

Our two business segments, Electronic Equipment and Industrial Equipment, each have strong potential for further growth. While reviewing and refining the product lines where necessary, we aim to expand both segments.

In the next Medium-Term Management Plan, we are considering shifting from the current product-based project team structure to a segment-based team structure, with each team advancing discussions on the business portfolio. We are also planning to update our core system. With the introduction of the new system, we will be able to track costs and profitability by product in greater detail. This will enable us to allocate management resources more effectively to highly competitive areas, thereby driving sustainable business growth and improved profitability.

In the Electronic Equipment segment, we intend to strengthen products for the semiconductor market, which is expected to deliver further growth. In countries and regions where our market share is still limited, we will focus on concentrated sales expansion. In China, we are pursuing local production for local consumption, seeking to expand the market through both production and sales. In addition, we are exploring entry into back-end processes in semiconductor manufacturing as well as applications in other markets that demand clean environments, such as food, healthcare, and pharmaceuticals, by leveraging our strength in clean production.

For the Industrial Equipment segment, we will work to lift overseas sales, which still have significant room for growth. TANKEN SEAL SEIKO possesses mechanical seals that are highly acclaimed overseas. Leveraging our sales network and financial resources, we will aim to further our global expansion by exhibiting at international trade shows in locations such as Shanghai and Hong Kong. We will also focus on expanding overseas sales of rotary joints with the aim of capturing and expanding global market share. Against the backdrop of a paradigm shift driven by the move toward decarbonization, we



are also developing products for new markets such as hydrogen, SAF (Sustainable Aviation Fuel), EVs, and next-generation batteries.

One of our strengths lies in having developed advanced technologies while working with top-tier players in the world's leading-edge markets and addressing unprecedented challenges. We will continue to maintain our technological and product strengths to remain a trusted partner for our customers.

With the completion of the R&D Center at the Sanda Factory, around 200 engineers who had previously been spread across multiple sites are now working under one roof. Under the leadership of the responsible officer, regular meetings are held to encourage the exchange of ideas among engineers, fostering the creation of technological synergies.

From a business portfolio perspective, alongside expanding the two existing segments, we also view as critical the establishment of new businesses that can become the third and fourth pillars. We will continue to invest aggressively in R&D, prioritizing compatibility with our existing products and technologies while pursuing product development for markets such as food, healthcare, pharmaceuticals, hydrogen, SAF, EVs, and next-generation batteries, where we aim to build strong competitiveness. Our goal is to grow these into major product groups and ultimately form a third segment alongside Electronic Equipment and Industrial Equipment. We will also continue to consider M&A opportunities where appropriate, with the aim of buying time for R&D.

Building a Supply Chain That Is Completed Within China

Commencement of Semiconductor-Related Production and Strengthening Sales

Going forward, we will place even greater emphasis on overseas business, focusing particularly on the Chinese market, which is expected to see substantial medium- to long-term growth. By investing in both production and sales, we aim to capture demand.

As part of our efforts to expand business partners, our local sales offices in Shanghai and Beijing are spearheading sales activities directed at Chinese semiconductor manufacturing equipment makers, which were unable to respond adequately during the resin shortage. We have concentrated resources by introducing KPIs, such as *weekly number of new company visits*, as well as dispatching sales and technical support staff from Japan.

Many Chinese semiconductor equipment makers continue to use U.S.-made rotary joints and pumps, and in light of current U.S.-China relations, there is a growing need to diversify purchasing sources and stabilize supply chains. We view this as a business opportunity. Although we face competition from domestic Chinese companies, we have been adopted as a standard supplier by the world's leading

equipment makers with top global market share. Leveraging our brand strength as a provider of indispensable high-quality products for cutting-edge semiconductor manufacturing, we are seeing strong results from our sales efforts. Looking ahead, we are considering further reinforcement of our sales structure, including expanding personnel.

On the production side, we are broadening the product lineup of semiconductor-related items manufactured at our Chuzhou Factory. We are also building a supply chain covering raw material procurement, production, and sales to meet market needs such as stable supply through local production for local consumption, thereby securing demand.

All of these initiatives are being advanced through dedicated projects, with the president himself taking direct command in progress meetings to address challenges across sales, technology, production, human resources, organization, and infrastructure, ensuring prompt and decisive action.

Creating Added Value Through Group Synergies and the Promotion of IT/DX

We are also working to further deepen synergies with TANKEN SEAL SEIKO, which has joined the Group. Since integration, we have pursued joint purchasing of raw materials and intra-Group procurement of sliding materials, critical components of mechanical seals. With our in-house production of SiC sliding materials and TANKEN SEAL SEIKO's in-house production of carbon sliding materials, mutual supply enables us to achieve full in-house production within the Group, thereby enhancing competitiveness. In addition to mechanical seal carbon materials, we are strengthening our carbon business by expanding production capacity for porous carbon products, TANKEN SEAL SEIKO's proprietary offering. To this end, we will invest ¥4.3 billion to construct a new plant.

In the IT/DX field, we are further strengthening our initiatives. The specialist unit established within the Technology Division in 2021 has since been elevated to a full department, expanding its role. We are also placing emphasis on the use of AI. Beyond improving efficiency, we aim to create new value, such as automatically generating the shortest and most optimal production plan after receiving an order. We are encouraging companywide improvement activities to proactively take up such themes.

Cash Allocation Prioritizes Growth Investment Implementation of Largest-Ever Share Buyback of ¥2.0 Billion

Our basic policy for cash allocation is to prioritize investments that contribute to the Company's growth. While we remain mindful of shareholder returns, we do not hesitate to make growth investments when justified.

Under the current Medium-Term Management Plan One2025, we set a target of ¥25.0 billion in growth investment over three years. Investments in fiscal 2023–2024 already reached that level,

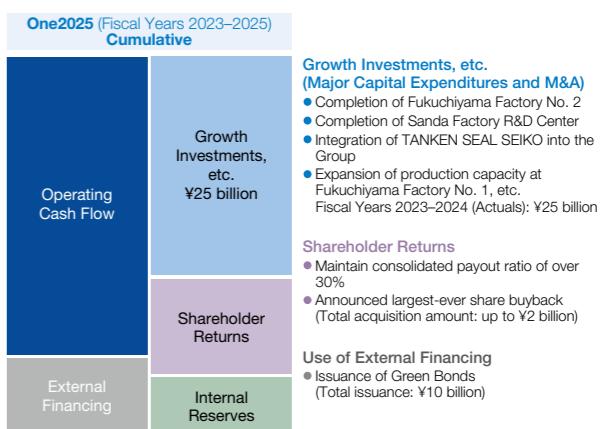
including the integration of TANKEN SEAL SEIKO, construction of the Fukuchiyama Factory No. 2 with the largest-ever investment of ¥11.0 billion, and construction of the R&D Center at the Sanda Factory. For fiscal 2025, we plan an additional ¥4.0 billion in investment, bringing the three-year total to more than ¥29.0 billion. These initiatives will serve as the foundation for our next stage of growth. Although fixed assets will increase, as the operating rates of newly constructed factories rise, profits will expand and corporate value will be created.

At the same time, shareholder returns remain an important priority. While monitoring levels of cash and deposits, we aim for balanced returns. At present, we target a dividend payout ratio of at least 30% as a stable and continuous dividend. However, we will reassess this target as we formulate the next Medium-Term Management Plan, taking into account changes in the external environment. New approaches such as DOE (Dividend on Equity Ratio), progressive dividends, and cumulative dividends are being discussed, and we aim to present a return policy, including KPIs, that will earn shareholder support.

In May 2025, we announced our largest-ever share buyback of ¥2.0 billion. This decision reflects our view that, having reached a pause in growth investments and with some surplus cash on hand, we should return value to shareholders. Going forward, we will continue to examine share buybacks flexibly, balancing them with growth investments.

Enhancing Information Disclosure to Gain Support for Our Initiatives and Improve ROE Through Both Profit Generation and Capital Efficiency

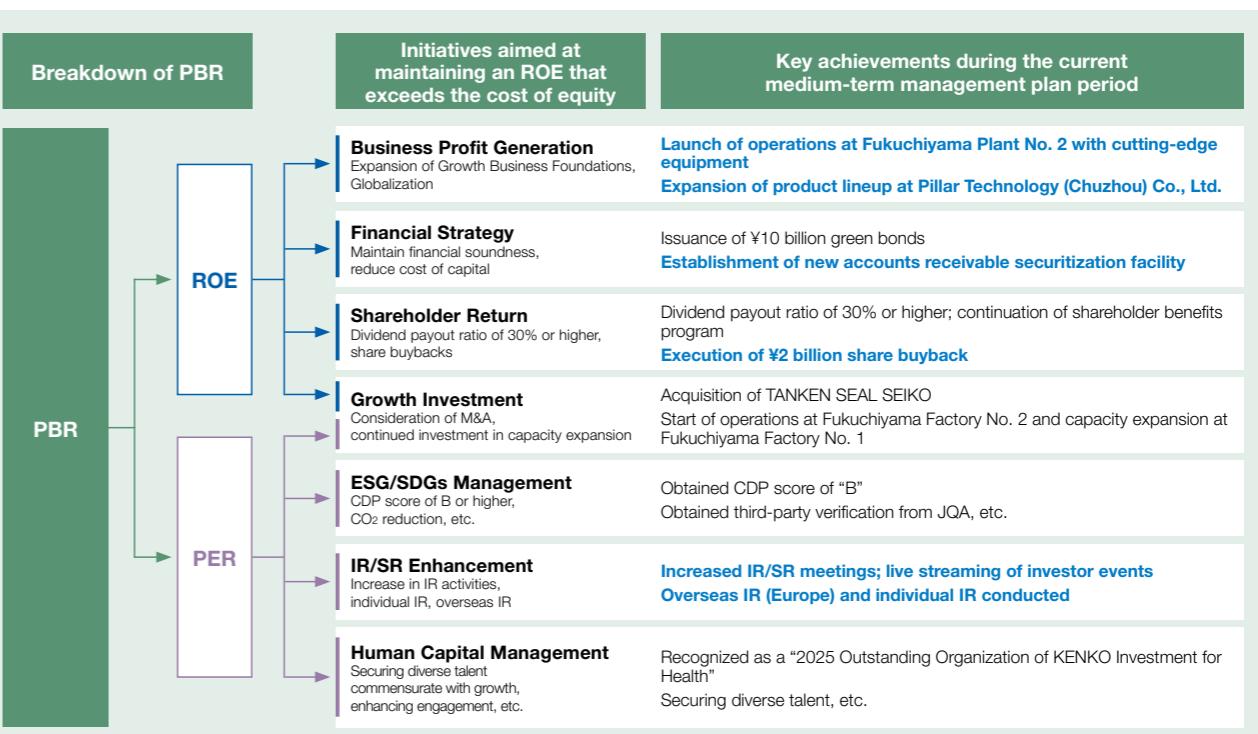
Although our PBR temporarily exceeded 2x in March 2024, it is

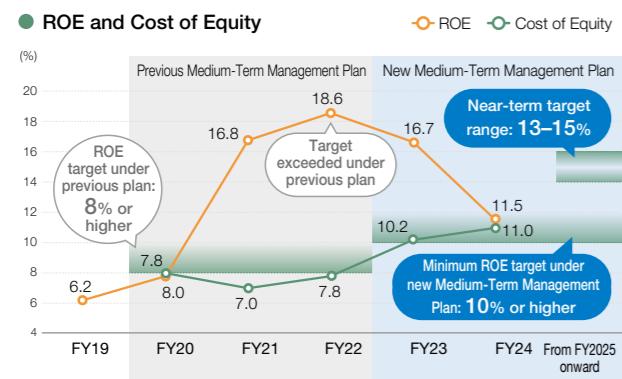


currently hovering around 1x due to declining performance and other factors. Our PER remains around 10x, which is low within the semiconductor industry, leaving considerable room for improvement. We recognize that insufficient information disclosure is a key issue in improving PER. By pursuing initiatives that earn understanding and support, and disclosing them thoroughly, we aim to achieve improvement.

To enhance corporate value, we recognize the importance of both improving ROE through further profit generation and controlling capital costs. ROE for fiscal year 2024 was 11.5%, a decline for the second consecutive year from the peak of 18.6% in fiscal 2022. While the outlook for fiscal 2025 remains challenging, we aim to restore operating profit and improve ROE through the launch of operations at the highly efficient Fukuchiyama Factory No. 2 and the expansion of product lines at the Chuzhou Factory.

In addition, a project to formulate the next Medium-Term Management Plan is underway. Whereas previous plans





covered a three-year period, we are considering shifting toward a longer-term horizon. Discussions are driven to ensure management that reflects shareholder and investor expectations regarding capital costs and stock price. In particular, we place emphasis on securing equity spread, calculated as ROE minus cost of equity, on a stable basis, and are working to strengthen our earning power.

Given the volatility characteristic of the semiconductor-related sector, we are pursuing thorough risk management and aim to control beta value by achieving stable growth in both our electronic equipment and industrial equipment segments, with the goal of earning the long-term support of our shareholders and investors. Our business structure is susceptible to the influence of major customers; however, stable earnings from the industrial equipment segment mitigate overall risk. Furthermore, there is room for improvement in the profitability of the electronic equipment segment, which is expected to contribute to enhanced overall earnings capacity.

Improving total asset turnover is also viewed as a key driver of ROE growth. By utilizing assets more efficiently and maximizing profits, we seek to raise the baseline of ROE. Looking ahead, we will continue to pursue sustained enhancement of corporate value through both profit generation and capital efficiency.

Emphasizing Dialogue with Shareholders and Investors, and Strengthening IR and SR Activities

To raise our visibility and broaden our shareholder and investor base, we regard dialogue with shareholders and investors as a key pillar of management and are actively pursuing this. In fiscal 2024, in addition to IR, we also held SR meetings. Through

exchanges of opinions on ESG-related topics, we received specific feedback on issues such as responses to TCFD and TNFD. These perspectives, which differ from those of conventional IR, have provided valuable input for measures we should take going forward.

For example, in dialogue with shareholders and investors, it was pointed out that our cash conversion cycle is long. In response, we established a new accounts receivable securitization facility in 2025. While it is not easy to shorten collection and payment cycles due to relationships with customers and suppliers, we considered what could be done to improve asset efficiency and decided to introduce the scheme. Similarly, our previously mentioned share buyback reflects investor feedback.

Our IR activities exceed 200 engagements annually, and we are working to increase recognition through live streaming of earnings briefings, small meetings, plant tours, and briefings for individual investors. In addition, our president conducted the Company's first overseas IR event in London, further expanding opportunities for global dialogue.

By incorporating investor feedback into management and clearly demonstrating our stance as a sustainable company, we aim to build long-term trust and support.

Actively Advancing ESG Initiatives with the Aim of Reducing Cost of Capital

We believe that initiatives in ESG support sustained growth and also contribute to lowering the cost of capital. ESG initiatives are an important factor leading to medium- to long-term investment, and to demonstrate that we are a "sustainable company," we are actively implementing measures.

On the environmental front, we are working on formulating a transition plan toward achieving net zero by 2050, obtaining third-party verification for CO₂ emissions and water withdrawals, responding to CDP, and addressing TNFD (Taskforce on Nature-related Financial Disclosures).

On the social front, we are placing particular emphasis on human rights. To ensure that global employees can report and seek consultation with peace of mind, we have multilingualized our internal reporting channels. Across the Group, we are building a framework for human rights due diligence, while also identifying and correcting issues.

These activities are promoted under a structure that includes

Examples of Measures Adopted Based on Dialogue		
IR/SR Enhancement	Renewal of earnings presentation materials; transition to live streaming of earnings briefings for institutional investors	FY2024
ESG	Obtained third-party assurance of greenhouse gas emissions, etc.	FY2024
Capital Strategy	Implemented ¥2.0 billion share buyback to enhance strategic capital policy and shareholder returns	FY2025
Financial Strategy	Established new accounts receivable securitization facility to improve cash conversion cycle and enhance financial efficiency	FY2025

management, with reporting and review conducted by the ESG/SDGs Promotion Committee, chaired by the president, as well as the Board of Directors. Since fiscal 2021, ESG indicators have been incorporated into executive compensation, raising awareness across the Company as a whole.

Enhancing Competitiveness Through a Human Resource Strategy Aligned with Business Strategy

With respect to sustainability and ESG, what we place particular emphasis on is investment in human resources. We believe that without investment in people, the Company cannot sustain itself. By building a human resource portfolio aligned with our business portfolio, we aim to achieve sustained growth and strengthen competitiveness. We regard investment in human capital as a top priority on par with capital investment, and in particular, we are focusing on advancing diversity, a key issue for us, with an emphasis on strengthening the recruitment of non-Japanese personnel. As our global expansion progresses, accepting people with different cultures and values is essential for enhancing flexibility and diversity in our businesses. We are also actively working to create a comfortable working environment, taking into consideration religion and dietary practices, as well as exploring the use of satellite offices.

To ensure that this diverse talent base can thrive over the long term, we are currently developing a new personnel system. The aim is to transition to a framework in which those who take on challenges are fairly evaluated and can independently shape their own careers, thereby fostering an environment where ambitious individuals can flourish. Based on our business strategy, we have also clearly defined the qualities we seek in talent, and we conduct recruitment activities in line with those requirements. This alignment of corporate direction with individual growth strengthens unity and driving force across the organization.

On the development side, in addition to conventional tier-based training, we are systematizing the skills required in each division and formulating annual development plans. In collaboration with external specialist institutions, we support the acquisition of practical skills. Furthermore, we hold global meetings that bring together management, including the chairman and president, and leaders of overseas bases, thereby promoting a deeper understanding of corporate culture.



To advance human capital management, we are making use of engagement surveys and monthly monitoring questionnaires to continuously grasp employee awareness and satisfaction. Based on this data, we are working to improve systems and measures.

Going forward, through a human resource strategy integrated with business strategy, we will continue to strengthen the overall capabilities of the Company and open the way to a sustainable future.

Desired Human Resource Profile

- Individuals who take the Motto and PILLAR CORE VALUES as their guiding principles, who face difficulties and challenges head-on, and who see things through with persistence and integrity.
- Individuals who can identify their own role and that of their division in achieving ambitious goals, while fostering a sense of ownership, awareness of issues, and sense of urgency across the team.
- Individuals who, through their work, are able to hold lofty aspirations and dreams, who continue to grow with strong curiosity in all things, and who keep taking on new challenges without being bound by the past.
- Individuals who always keep their eyes on the future, clarify the tasks that must be addressed now, demonstrate leadership, and lead their teams to the goal (problem solving).

Supporting PILLAR's Sustainability Through Finance to Drive a Growth Strategy That Leverages People

Over the past three years, PILLAR has continued to grow while building the capacity to respond to robust demand. Looking ahead, we will continue to generate a virtuous cycle of business expansion and social contribution, aiming for an even higher stage of development. Recognizing that people are the source of growth, we are constructing a human resource strategy aligned with our business strategy and are actively investing in people through recruitment, development, and other initiatives.

To support these efforts, our financial strategy promotes capital efficiency and funding plans to execute growth strategies, with the goal of maximizing corporate value. We hope that our shareholders and investors will continue to share our vision and extend their support. Going forward, through candid dialogue, we will continue striving for better corporate management.