

Integrated Report
2024

Creating First-Rate Fluidity

While taking pride in our entrepreneurial spirit of boldly taking on challenges and in our sense of purpose in supporting a safer society, since our founding, PILLAR Corporation has carved out a global niche as a leader in fluid control.

Even as we celebrate our 100th anniversary, we continue to innovate and we will contribute to a sustainable, prosperous future without forgetting our pioneer spirit.

We will utilize our technologies to create first-rate fluidity, becoming even more sustainable and even more global.

Now, having overcome the many adversities of such turbulent times, in this Integrated Report, we will explain the purpose of PILLAR Corporation, based on our new company name and in pursuit of new value.

Quality First

**Cooperation and
Harmony**

Steady Research

Motto

Purpose

Creating a future that supports society

CLEAN

SAFETY

FRONTIER

PILLAR CORE VALUES

Integrity	To maintain integrity and uphold high ethical standards in your professional conduct.
Innovation	To embrace the challenge of innovation to help create a better future society.
Progress	To pursue continuous improvement and reform to drive real evolution.
Human Resources	To use business activities to develop individuals who possess high levels of expertise, leadership, as well as social skills.
Team	To build a team where the wisdom and abilities of diverse colleagues generate synergy.

Group Code of Conduct

The Group Code of Conduct of PILLAR Corporation and its Group companies stipulates important action guidelines to which officers and company employees shall adhere in the conduct of their daily business activities.

Employees have the essential obligation to take the initiative in adhering to this Code of Conduct.

Please refer to our website for details of the Group Code of Conduct
<https://www.pillar.co.jp/en/about/philosophy/>



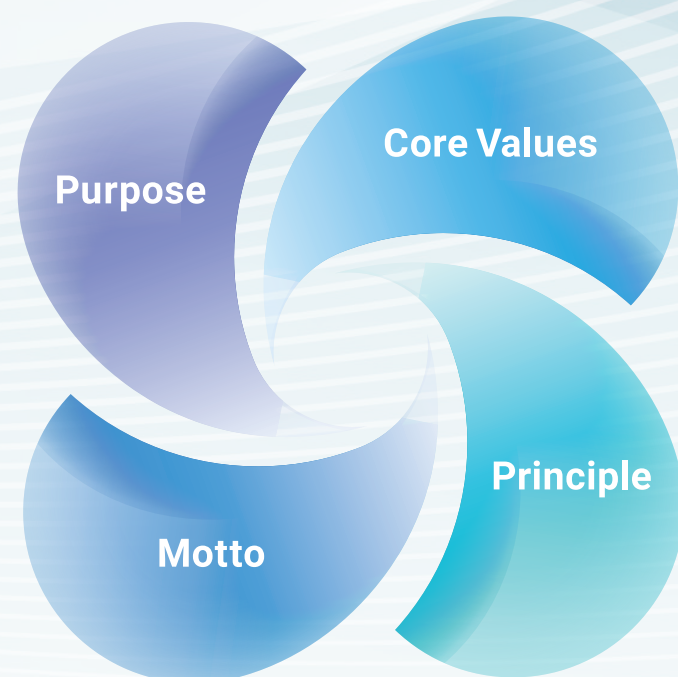
Formulating PILLAR CORE VALUES on Our 100th Anniversary

At the significant milestone of our 100th anniversary, we have newly formulated our PILLAR CORE VALUES as a company philosophy for all PILLAR GROUP employees to hold dear.

In place of the management philosophy that existed until now, these represent the connection between the Company's approach and the values and conduct of each of our employees.

By linking our Motto, Purpose, PILLAR CORE VALUES, and Group Code of Conduct, we will generate value that contributes to the realization of a sustainable society.

An Evolving Approach for the Next 100 Years



A Philosophy Inherited from the Past 100 Years

Integrated Report 2024 Key Points

Our editorial concept is that of creating fluidity for the next 100 years. As such, this report will refer to the "strengths" and "achievement potential" of the Group, which aims for even greater growth and a sustainable society.

Specifically, the content of this report has been planned in relation to the following key points: PILLAR Corporation's 100-year history, the real voices of management, enhancing our value creation story, and laying the groundwork for the next 100 years.



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Integrated Report 2024 covers fiscal 2023 (April 2023 to March 2024). Some information postdating April 2024 is also included. The report introduces the Group's environmental and social initiatives, governance and other non-financial areas while also providing some information on its medium- and long-term strategy and financial performance. This report is intended to enhance our communication with stakeholders and further improve the Group's initiatives. This report was edited with reference to the International Integrated Reporting Framework published by the Value Reporting Foundation (VRF) and the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry in May 2017.

Reporting period:

April 1, 2023 through March 31, 2024

Note: Also includes some information outside of the reporting period.

Reporting scope: PILLAR Corporation and its Group companies



Committed to Working as One Team for the Next 100 Years

Since our founding in 1924, we have responded to the demands of growth industries by focusing on the development and commercialization of innovative materials while contributing to the emergence of a prosperous society committed to sustainability. Going forward, we will continue to provide original, high-quality products and services while further improving our fluid control technologies.

1920- Founding period

From our founding to the establishment of our production system

Our founder, Kaju Iwanami, succeeded in developing a highly wear-resistant cylindrical packing for use in ships. In 1924, he launched Nippon Pillar Packing Industries as a private entity, and in 1926 he began full-scale production of industrial-use sealing packings. In 1932, he began production of gaskets for automotive and marine internal combustion engines. In 1948, Mr. Iwanami established Nippon Pillar Packing Co., Ltd., and in 1951, he developed and began production of Japan's first mechanical seal. In 1967, the Sanda Factory was constructed in Sanda, Hyogo Prefecture.

- 1924** Nippon Pillar Packing Industries is established in Nada-ku, Kobe.
- 1926** Our new factory is established in Yodogawa-ku, Osaka to begin full-scale production of industrial leak prevention packings.
- 1930** Our Pillar packing is registered as the company's first utility model patent.
- 1932** Production of gaskets begins.
- 1948** Nippon Pillar Packing Co., Ltd. is established.
- 1951** The Company develops and starts production of Japan's first mechanical seal.
- 1952** Production of fluoro-resin products begins. (Series name: Pilaflon™)
- 1967** The Sanda Factory is completed as the industry's first JIS-certified manufacturing facility for spiral-wound gaskets for piping compliant with the JIS B 2404 standard.
- 1970** The Company develops and starts production of carbonized fiber, an innovative new material.
- 1974** 50th anniversary



Founder Kaju Iwanami



Developed and started production of Japan's first mechanical seal (1951)



Completed construction of the Sanda Factory in Sanda, Hyogo, Japan (1967)

1980- Global expansion

Establishment of our brand and global expansion

In 1980, the head office building was constructed. Production of ISO series mechanical seals began the following year. The Company developed a series of new products to meet emerging needs and, in quick succession, started production of fluoro-resin fittings and expanded graphite braided packing for semiconductor manufacturing equipment. In 1995, the Company obtained ISO certification and established a brand that was soon to earn the confidence of customers.

- 1980** New head office building is completed.
- 1984** The Company's shares are listed as a specially designated share issue on the Second Section of the Osaka Securities Exchange.
- 1989** The Fukuchiyama Factory is completed.
- 1995** The Company's shares are redesignated to the Second Section of the Osaka Securities Exchange.



Started production of ISO series mechanical seals for agitators (1981)



Completed construction of the Fukuchiyama Factory (currently Fukuchiyama Factory No. 1) in Fukuchiyama, Kyoto Prefecture, Japan (1989)

2000- New businesses

Developing new businesses that lead to ongoing breakthroughs

In 2002, the Company began production of the Super 300 Type Pillar Fitting, a groundbreaking sealing mechanism that represented an industry first. The following year saw the start of production of Pillar Techno Black No. 2603-EEE, which contributed to the early conversion to asbestos-free sealing products. In 2012, we began production of a novel type of rotary joint for the semiconductor industry.

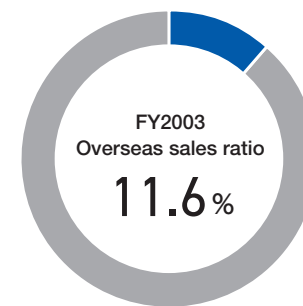
- 2001** The Company's shares are listed on the First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange.
- 2004** Construction of the Kyushu Factory is completed in Koshi, Kumamoto Prefecture.
- 2012** Production of a new type of rotary joint for the semiconductor market begins.
- 2017** The head office is relocated to Nishi-ku, Osaka.



Began production of Super 300 Type Pillar Fitting with a revolutionary sealing mechanism, the first of its kind in the world (2002)



Completed construction of the Kyushu Factory in Koshi, Kumamoto Prefecture, Japan (2004)



2020- Toward next 100 years

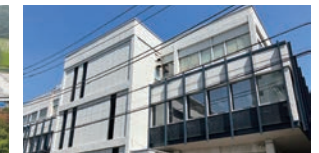
Identifying market changes with the goal of sustainable growth

In preparation for the development of next-generation products and the expansion of the semiconductor market, the Company completed construction of the new Sanda Factory in 2020. We are continuing to transform our business and organizational structure with the aim of further enhancing our corporate value. Moreover, we remain focused on the development of new materials and technologies.

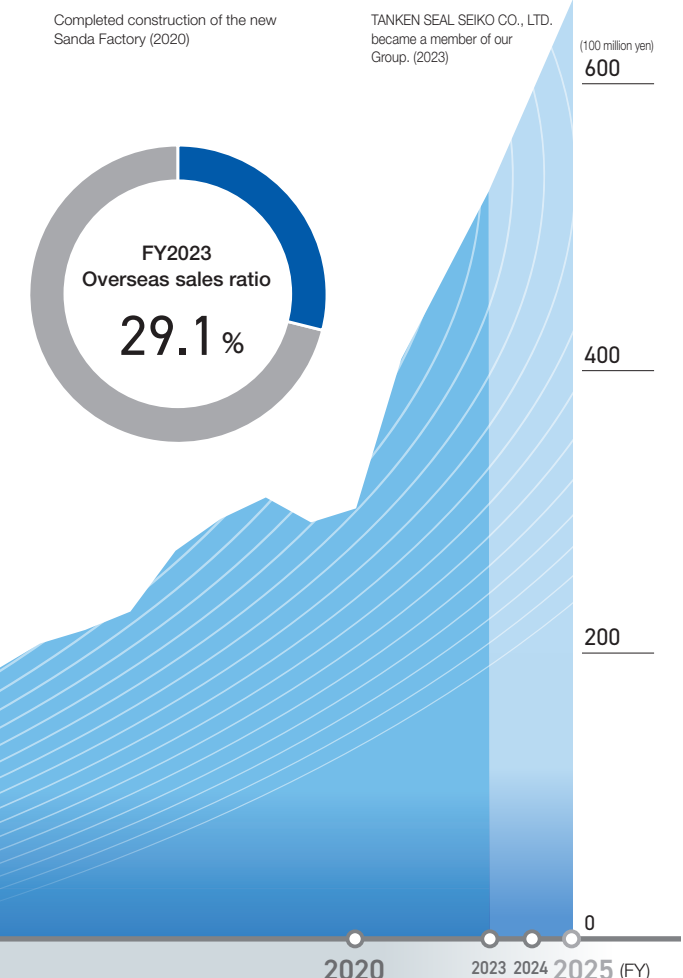
- 2022** The Company's shares are moved to the Prime Market of the Tokyo Stock Exchange.
- 2023** TANKEN SEAL SEIKO CO., LTD. becomes a member of our Group. Construction of Fukuchiyama Factory No. 2 is completed. Construction of the R&D Center at the Sanda Factory is completed.
- 2024** To mark the Company's centennial, the Company is renamed PILLAR.



Completed construction of the new Sanda Factory (2020)



TANKEN SEAL SEIKO CO., LTD. became a member of our Group. (2023)



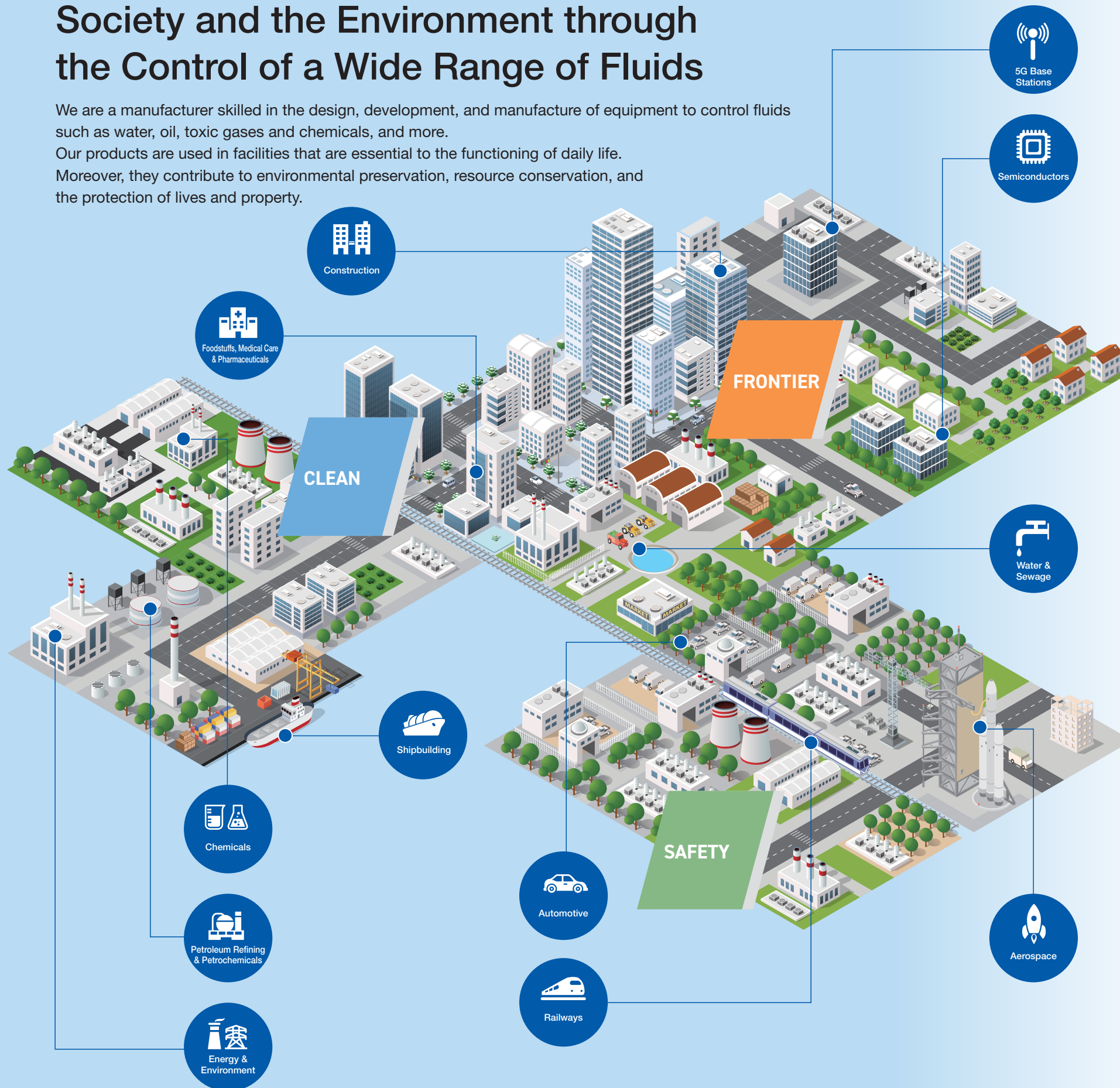
[Sales]

[Major Events]

- 1980** 1985 Plaza Accord, 1989 Fall of the Berlin Wall
- 1990** 1991 Collapse of the Japanese economic bubble; Collapse of the Soviet Union, 1993 Establishment of the European Union, 1999 Creation of the Euro
- 2000** 2005 Kyoto Protocol comes into effect, 2008 Lehman Shock
- 2010** 2011 Great East Japan Earthquake, 2016 Paris Agreement comes into effect.
- 2020** 2020 Brexit comes into effect, COVID-19 pandemic, 2021 The Tokyo Olympic and Paralympic Games are held.
- 2020-2025 (FY)** 2022 Russian forces invade Ukraine, 2023 The Palestinian-Israeli conflict begins, 2024 The Noto Peninsula is struck by a powerful earthquake.

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.



Electronic Equipment Business (Fluoresin Products)

Fluoresins exhibit many desirable characteristics such as chemical stability, low coefficient of friction, and low dielectric constant. Various technologies are used to commercialize fluoresin products and supply them to the semiconductor, construction, and communications markets.

Circulation products (Fittings, tubes, and pumps)

Contributing to improved performance through semiconductor miniaturization and integration

By providing chemical solution piping materials for semiconductor and liquid crystal manufacturing equipment, we meet a variety of needs that include safety, cleanliness, and adaptability of pipe size.

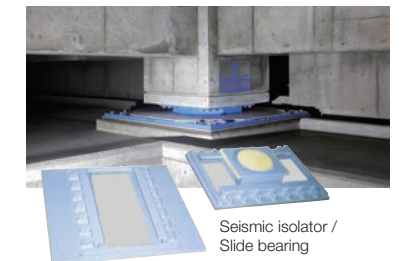


Circulation

Seismic isolator / Slide bearing

Protecting buildings from earthquakes

Our rotating and sliding mechanisms absorb and reduce the forces that act on the supporting structures used in seismically isolated buildings, roofs, and connecting bridges. These innovations contribute to improved earthquake resilience and greater durability of buildings and other structures.

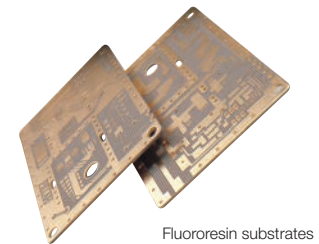


Seismic isolator / Slide bearing

Fluoresin substrates

Contributing to increasingly advanced communications

Thanks to their excellent low electrical loss characteristics in the high frequency bands, these products contribute to improved performance and lower power consumption in millimeter-wave and microwave equipment such as auto collision prevention radar, antennas for 5G/6G mobile base stations, and multilayer boards for high-speed servers used in data centers.



Fluoresin substrates

Industrial Equipment Business

These products support a wide range of industries as sealing parts that control various fluids used in plants and equipment involved in the energy, oil refining, chemical, automotive, marine, medical, and food industries.

Gland packings

Enhancing the safety and security of our everyday lives

Our gland packings prevent leakage of internal fluids around rotating or reciprocating shafts, such as valve stems and pump shaft seals.

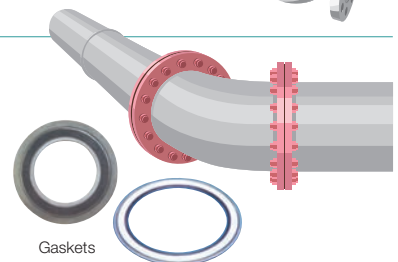


Gland packing

Gaskets

Contributing to safer and more secure equipment applications

These products seal the joints between stationary parts, such as pipe joints and equipment joints as well as joints linking equipment and pipes.



Gaskets

Mechanical seals/Rotating equipment seals

Contributing to safer and more secure plant operation

These products prevent leakage of internal fluids from shaft seals in pumps, agitators, compressors, rotary joints, and a variety of other industrial devices.



TANKEN ABC seal

Pillar Phoenix-Seal®

Value Creation Process

As stated in our Purpose, the PILLAR GROUP is committed to providing value to the world with an awareness of social challenges and our materiality, focusing on our two businesses—electronic equipment and industrial equipment—so that we may create a future that supports society.



Key Issues to Address

Aggressive Materialities

- Decarbonization and energy saving
- Circular economy and resource conservation
- Prevention of chemical pollution and conservation of water resources
- Product development and manufacturing in response to social issues

Defensive Materialities

- Biodiversity conservation
- Creation of workplaces that enable diverse human resources to grow and succeed
- Living in harmony with the world and society
- Establishing transparent and responsible governance

Social Issues [External Environment]

Global environmental conservation Respect for diversity Shift to IoT/DX

Opportunities

- Expansion of eco-friendly business**
Providing new products to new markets such as batteries for electric vehicles, sealing materials using high performance materials for hydrogen and ammonia, pharmaceuticals, and the food industry
- Further growth in the semiconductor field**
Providing cleaner, more energy-efficient products that also contribute to protecting the environment
- The age of IoT, where sensors are installed in everything**
Providing sensing in harsh environments where higher temperatures than ever before and chemical resistance are essential

Climate change Human rights issues Labor shortages

- Rapid expansion and contraction of market size**
Opportunity losses due to technological innovation, resource shortages, and other factors resulting from unexpectedly rapid market expansion and contraction in the semiconductor and LCD markets, etc.
- Structural changes and tightening of regulations, etc.**
Unexpected changes in the political or economic system in the country of operation, as well as increased restrictions on raw materials due to conflicts, natural disasters, infectious diseases, environmental considerations, etc.
- Decline in international competitiveness due to emergence of competitors, cost fluctuations, etc.**
Decline in international price competitiveness due to the emergence of competitors, with innovative technologies, changes in manufacturing processes, increased infrastructure costs, etc.

Risks

The Strengths and Sources of PILLAR

During the course of our 100-year history, the PILLAR GROUP has cultivated breadth and depth in technologies enabling the introduction of a variety of materials to our products, in building information networks, and in simple, honest technological development. Furthermore, by combining these elements, we provide technologies, products, and services unique to the Company and in line with customer needs.

The PILLAR Business Model

During the PILLAR GROUP's 100-year history, through fluid control products with our leak control technologies at their core, we have expanded our markets to include those of shipbuilding, plants (factories), automotive, and semiconductors by continuing to respond to the needs of the times. In the process, we have also expanded our lineup to include gland packings, gaskets, mechanical seals, and fluororesin products.

Based on the two segments of our Electronic Equipment and Industrial Equipment businesses, we are currently providing products and services to a wide range of markets.



Strengths as the Cornerstone of the PILLAR Business Model

100 years of refining expertise in material development

It is no exaggeration to say that the histories of seal development and of material research are one and the same. PILLAR products are utilized in a wide range of applications—for example, pumps, valves, and pipes—and under various conditions—for example, those of temperature, pressure, peripheral speed, and chemical resistance. As such, we research a variety of materials for adoption in our products, such as silicon carbide (SiC), expanded graphite, and fluororesin.

Going forward, we will expand into new markets that include EV, hydrogen, and next-generation communications.

Materials × Technological expertise × A wealth of fluid solutions

In line with customer needs, we are combining our know-how as a Group to provide technologies, products, and services that only PILLAR can achieve.

For example, in the field of fluororesin products, for forms that were ordinarily created using a cutting process, we switched to injection molding, thereby realizing shorter lead times and improved production volumes. With proposals that leverage a technological track record that is characteristic of a comprehensive manufacturer of seals, we are also responding precisely to customer needs in the field of seals for industrial equipment.

The Source of PILLAR's Competitive Advantage (Six Kinds of Capital)

We have divided the PILLAR GROUP's diversity of capital into six categories. Each of these is utilized in our business activities, resulting in even greater business expansion and new value creation.

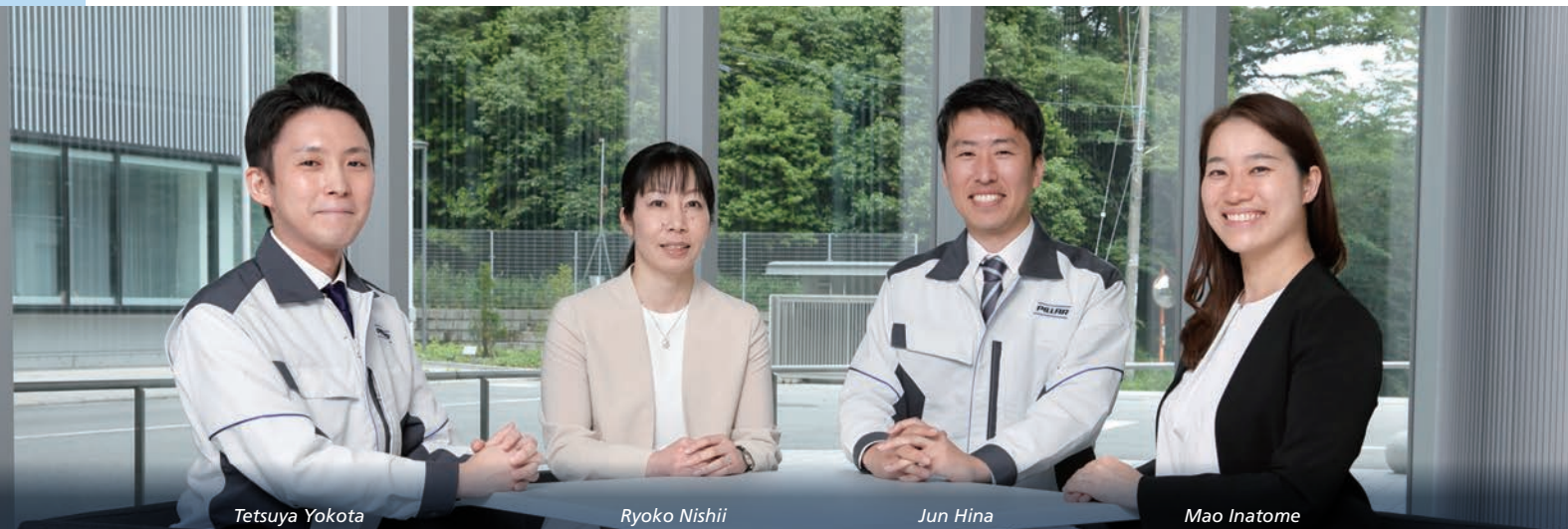
(FY2023 results)

	Related capital	Advantages
Financial Capital	<ul style="list-style-type: none"> • Sound financial position • Maintaining operating income margin • Generating new cash flow • Proactive shareholder returns 	<ul style="list-style-type: none"> • Net assets 69.9 billion yen • Equity ratio 70.8% • Operating income margin 24.2% • Payout ratio 34.4%
Manufacturing Capital	<ul style="list-style-type: none"> • Building an integrated system within the Group • Establishing local production systems outside Japan • Improving productivity by promoting automation and the adoption of IoT • Installing high-standard clean rooms • Safe and environmentally friendly factories 	<ul style="list-style-type: none"> • Domestic production bases 12 production bases • Overseas production bases 5 production bases • Capital expenditure 15.1 billion yen
Knowledge Capital	<ul style="list-style-type: none"> • Sophisticated fluid control technologies • Know-how cultivated during our 100-year history • Technological expertise responding to leading-edge needs • Expertise for developing unknown materials 	<ul style="list-style-type: none"> • R&D expenses 1.4 billion yen • Establishing the R&D Center at the Sanda Factory to enhance product development expertise across the organization
Human Capital	<ul style="list-style-type: none"> • Human resources who can understand things from a global perspective • Human resources who can demonstrate high levels of leadership, resolve, and drive • A workplace environment in which human resources with diverse experience and knowledge can play an active role • A workplace environment in which it is possible to work with peace of mind and in good health 	<ul style="list-style-type: none"> • Number of consolidated employees 1,132 • Investment in human resources development per employee 71 thousand yen • Number of global human resources* 73
Social/Relationship Capital	<ul style="list-style-type: none"> • Customer contacts in diverse fields • Suppliers that ensure stable supply • Promoting collaboration among industry, government, and academia • Contributing to local communities 	<ul style="list-style-type: none"> • Sales offices 39 • Number of suppliers 652 • Number of individual IR responses 208
Natural Capital	<ul style="list-style-type: none"> • Promoting the use of natural energy • Products that reduce environmental impact • Conserving the global environment in response to climate change 	<ul style="list-style-type: none"> • CO₂ emissions (Scopes 1+2) 14,861 t-CO₂ • CO₂ emissions (Scope 3) 149,077 t-CO₂ • Solar power generation (selling electricity) 835,986 kWh

*Number of global human resources = Number of human resources with management experience at overseas bases (Number of human resources with experience at overseas bases primarily through personnel rotation + Number of human resources promoted to management from national staff)

New Value Emerges from Accord with Company Ideals

Four employees who represent the next generation in the company gather from different departments—Purchasing, Sales, Engineering, and Corporate Planning—to discuss PILLAR's history, future, and their approaches to work.



Tetsuya Yokota

Ryoko Nishii

Jun Hina

Mao Inatome

The Pride of Working for a Centennial Company

Nishii In an age when only six percent of new companies survive into their tenth year, I am honored to be associated with a company that has celebrated over 100 years in business. As a sales representative, when talking with customers, I sometimes receive inquiries about our products used in machines manufactured in the 1950s and 1960s. Our company keeps a careful record of customers' mechanical problems, modifications, and other tricky issues, and the technical solutions employed. This cumulative record is part of how PILLAR has provided value to customers over time, and it gives me a sense of the breadth of our history.

Hina As an engineer, I often refer to design drawings and documentation to understand the equipment, and they teach me so much. Since I was born in 1992, these documents are my "elders" and the cumulative wisdom that my predecessors put into them helps me a lot.

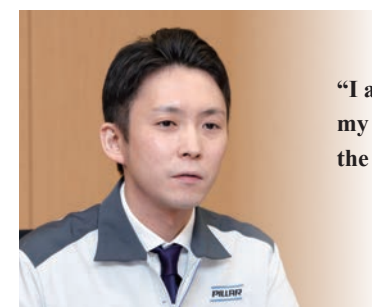
When I was job hunting, I wanted to work for a company that had a long history and was well-established in the area. A solid record is an invaluable asset that is very important to engineers. Some people might think that this knowledge succession makes the company old-fashioned, but I feel that

our engineers hold the past in high esteem and don't hesitate to incorporate new ideas. Plus, they are dedicated to their jobs.

Yokota I have worked for two other companies and I am happy to be here at PILLAR, which has built up a strong foundation of trust and achievements over its long history that translate into corporate value. Foreign manufacturers, in particular, seem to have a favorable impression of "centennial companies." One important role of procurement is to develop new suppliers, and I feel that the Company's history helps by giving potential partners confidence in us.

Inatome I'm also a mid-career hire. On a job search, I usually check what a company's motto or policy is since its core principles guide those working at the company. I remember liking PILLAR's motto and purpose. Then, on the Company's 100th anniversary, the PILLAR CORE VALUES were formulated. These five values I believe have clarified what PILLAR stands for and have made the Company more responsive to the demands of society and the times.

Of the PILLAR CORE VALUES, the one that has the most direct significance in my work is Integrity. When creating sustainability disclosure documents for sharing externally, for example, I always ask myself if everything aligns with the



"I am committed to meeting my responsibilities to fulfill the Company's purpose."

(Joined in 2020)

Tetsuya Yokota
Leader, Purchasing Dept.
Production Headquarters



"I believe that PILLAR can help resolve societal issues."

(Joined in 2007 as a new graduate)

Ryoko Nishii
Chief, 2nd Sales Dept.
Sales Headquarters



"We will develop new technologies at PILLAR with unity and perseverance."

(Joined in 2017 as a new graduate)

Jun Hina
Deputy Sales Manager
Renewable Energy Group
SANDA Engineering Dept. 2
Engineering Headquarters



"We will take on the great responsibility of supporting the future of society."

(Joined in 2020)

Mao Inatome
Chief, Sustainability Group
Corporate Planning Department

principles of the Company. Based on the message we got from the president at this year's centennial celebration, which is that the Company aims to grow further, I plan to contribute to that goal while maintaining high ethical standards.

Transcending Divisions to Support Society as One Team

Nishii I feel that the newly formulated PILLAR CORE VALUES will resonate well with and energize everyone in the Company, enabling us to contribute to society through our work. I also quite like the Company motto, especially Cooperation and Harmony and Steady Research, which embody traditional Japanese virtues.

Transcending divisions is what we need to do on a practical level at times to find solutions to new customer needs when we are developing new markets or new products. That's truly how the motto comes to life in our daily work routine.

Yokota "Creating a future that supports society," PILLAR's stated purpose, as I understand it, is not limited to providing products and services that meet the needs of the times and the market, but also includes working with stakeholders to help bring about a sustainable society.

To bring that statement to life through the work we do in my department, I try to be aware of the environmental and social factors involved in procurement. So, I work with partner companies to ensure that our procurement is socially and environmentally responsible, helping to phase out the use of substances of concern.

Hina I am also proud to play a part in working toward a carbon-neutral world. I believe that our products offer great value in sustainability efforts, and we aim to develop new technologies with that purpose in mind. But it will require a sense of unity and a willingness to persevere on our part—not only among engineers. If the entire PILLAR workforce comes together as one team to tackle the challenges, I think we can achieve tremendous results. So, among the PILLAR CORE VALUES, I most strongly identify with "Team."

PILLAR's Role in a Sustainable Society of the Future

Yokota As we work toward carbon neutrality by 2050, society will surely go through some major changes. But what won't change is our unwavering commitment to anticipating risks and responding to society's needs across the entire supply

chain. With lots of precedent and expertise at our disposal, I think we need to build an organization that is open to examining solutions that might stray from established practices and respond flexibly according to need.

Nishii The Company has changed quite a bit over the last few years, but more change is still needed, also including diversity. When I first joined the Company, it was difficult for women who got married or had a baby to continue working in the same capacity. Despite this, women my age chose not to quit but have continued to work and are aspiring to reach positions of greater responsibility. I believe that that possibility is the result of the Company's efforts to change.

A company has no future if it stops changing. It must continue to evolve, whether in HR, sales, or the development of technologies. Bringing about a sustainable future in a carbon-neutral world will depend on the Company seeking out new markets for its diverse product lines, taking full advantage of its 100 years of cumulative knowledge and technical expertise. It won't be easy, but coming together as One Team, I believe we can make significant inroads into resolving societal issues.

Hina As the world changes, the value that a company needs to provide to society will also evolve. While we may look like an old-fashioned company, I feel that the Company is embracing new values and undergoing a transformation, exemplified by the recruiting of diverse mid-career talent and the acquisition of TANKEN SEAL SEIKO CO., LTD. (featured on page 33).

I pledge to continue doing my part and taking on challenges in the area of new materials and new technology development so that the Company may generate value at the frontier of the industry with its clean, safe products.

Inatome Although PILLAR products are generally not known to consumers, they have nonetheless become indispensable behind the scenes throughout society. And no matter how the times change, the genuine value we provide to markets will remain as steady as ever.

We plan to continue supporting society through our advanced fluid control and material technologies, and I believe we can drive improvement, development, and innovation with the necessary speed. Knowing that our work will support the future of a society in which our children and grandchildren will live gives me a strong sense of purpose and the commitment to take on that great responsibility.

PILLAR by the Numbers

Financial Data

Sales

¥58.6
billion
(FY2023)

Sales exceeded 50 billion yen for the first time, breaking our previous record for the third year in a row.

Operating income / Operating income margin

¥14.2
billion

24.2
%
(FY2023)

We achieved record operating income for the third year in a row and are maintaining our operating income margin at a high level.

Sales growth rate

13.6
%
(Average annual growth rate: FY2018 to FY2023)

We are expanding our business scale against the backdrop of M&A and a thriving semiconductor market.

Segment sales

Electronic equipment business	Industrial equipment business
Approx. 69.1%	Approx. 30.9%

Sub-segments: Circulation, New product development, Mechanical seals, Gland packings, Gaskets

We improved our segment balance by acquiring TANKEN SEAL SEIKO CO., LTD. as a member of the Group.

Overseas sales ratio

Approx. 29.1
%
(FY2023)

We are promoting globalization by proactively expanding overseas, for example, opening an office in Beijing, China.

PILLAR fittings: Global market share

No.1
in the world
(For semiconductor cleaning equipment)

Our fittings for semiconductor cleaning equipment account for a market share of 90% or more, making them the de facto industry standard.

ROE

16.7
%
(As of the end of March 2024)

Although the target for ROE in our medium-term management plan is 10% or higher, our current target is now 13 to 15%.

Equity ratio

70.8
%
(As of the end of March 2024)

We are promoting management with an awareness of capital costs and working to achieve stable management.

Dividend per share/Payout ratio

¥159

34.4
%
(FY2023)

The goals of our dividend policy are stable and sustainable dividends with a payout ratio of 30% or higher.

Non-Financial Data

Number of overseas bases

11
countries and regions

16
bases
(Overseas Group companies)

We undertook reorganization with TANKEN SEAL SEIKO CO., LTD. at two overseas bases. There was an increase in employee numbers, mainly due to the acquisition of TANKEN SEAL SEIKO as a member of the Group.

Number of employees

Consolidated 1,132 employees

Overseas (nonconsolidated) 156 employees
(Full-time employees only, as of the end of March 2024)

Male-to-female ratio (consolidated)

76:24
%
(As of the end of March 2024)

We aim to increase the ratio of women hired to 30% or higher in order to promote their active participation.

CO2 emissions (Scope 1 + Scope 2)

14,861
t-CO₂
(FY2023/consolidated)

CO₂ emissions increased due to a significant rise in emissions factors by electric utility and the acquisition of TANKEN SEAL SEIKO as a member of the Group.

CO2 emissions (Scope 3)

149,077
t-CO₂
(FY2023/domestic consolidated)

TANKEN SEAL SEIKO has been added to the scope of calculation as a member of the Group.

Recycling rate

71.7
%
(FY2023)

The Decarbonization and Global Environment Committee is reviewing and promoting planned measures and their progress.

Investment in human resources development per employee

¥71,000
per person
(FY2023/nonconsolidated)

We are enhancing leadership and management training, with a target of 95,000 yen per person.

Male (Female) employees taking childcare leave

42.9(100)
%
(FY2023/nonconsolidated)

By conducting e-learning and proactively talking with employees, our target is a 75% or higher uptake of childcare leave.

Percentage of female managers

3.3
%
(FY2023)

With a target of 5% or higher, we are actively promoting hires through leadership training for women and DE&I training.

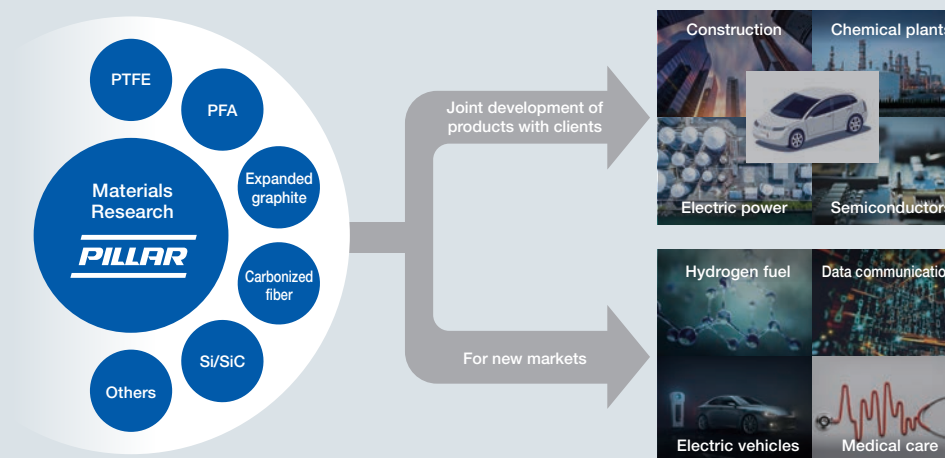
*All target figures are for FY2025



“We will continue transforming and growing for the next 100 years based on our new company name and core values.”

President

Y. Inauchi



PILLAR's Competitive Advantages and Growing Potential

Across our 100-year history, we have developed technologies, products, services, and production techniques that have allowed our products to serve a wide range of markets. In recent years we have been expanding into global markets, providing fluid control solutions and more in diverse fields and in several countries.

We have built a solid track record and a good reputation for technologies that protect workers and equipment by controlling leaks from equipment and preventing the leakage of hazardous fluids. By consistently delivering the technologies, products, and services our customers need, we have developed a competitive edge unique to PILLAR that creates significant barriers to entry, supporting high profit margins and strong earnings.

The Group has **three major competitive advantages**.^{*3}

The first is the extensive network we have cultivated over our 100-year history that provides access to a wide range of information. That information is vital in allowing us to quickly detect changes in markets and establish future-focused themes for technology development and strategic planning.

Our second advantage is that we possess key elemental technologies such as materials technology, which we can apply to a wide range of products. Having expertise in upstream materials technology gives us the capability of developing new applications for a broad range of new markets.

The third competitive advantage is our accumulated in-house knowledge due to our persistent dedication to technology development. Our R&D teams are driven by a strong commitment and resolve to create benefits for the future. My management team and I have the confidence to let development teams work autonomously, simply communicating our values. This approach fosters flexible thinking and leads to the more rapid development of technology, a clear strength of ours.

This is especially important in fast-changing markets, such as semiconductors and other products with a global market. Any drop in the pace of development can lead to opportunity loss, and in some cases, market share can never be recovered. Our decision-making is guided by two principles—not just keeping pace with but staying ahead of market changes, and maximizing returns by minimizing missed opportunities.

Progress Toward Targets in Our Medium-Term Management Plan, One2025

Fiscal 2023 marked the launch of our **three-year medium-term management plan, One2025**.^{*4} At the start of the fiscal year, we anticipated higher revenue but lower profits due to rising raw material costs. However, by refining our course of action as the year progressed, we achieved significant increases in both revenue and profits, demonstrating hidden reserves of strength. I anticipate that the business environment will be more challenging in fiscal 2024, so we have projections for higher revenue but lower profits, but we hope to achieve results that exceed our forecasts by further refining our course corrections.

Establishing a New Company Name and Core Values for the Coming Century

On July 1, 2024, we changed the company name from Nippon Pillar Packing Co., Ltd. to PILLAR Corporation. We also took the opportunity of this 100th anniversary year to update our company logo and redefine our management philosophy to set the stage for our next 100 years in business.

Regarding the company name change, we sat down to rethink it from scratch, considering our present position and the future ahead. We even considered removing “Pillar” from the name entirely. However, we decided to retain “Pillar” as an asset to carry forward and utilize into the next century, recognizing its significant brand value among customers in markets both domestic and international. Instead, we eliminated “Nippon” and “Packing” from our name, as our markets are becoming increasingly global and our business expands into domains that include post-delivery maintenance and modifications. The name “PILLAR Corporation” reflects our strong desire to offer solutions on a global scale.

In addition, we have formulated the **new PILLAR CORE VALUES**^{*1} to replace our long-standing management philosophy. Although the previous philosophy represented the Company’s aims at the time it was created, we felt that it no longer covered enough to propel us amidst great changes in the market environment and globalization.

It is also vital for every employee to fully grasp and internalize **our Motto—Quality First, Cooperation and Harmony, and Steady Research—and our Purpose—Creating a future that supports society—** based on the keywords of **Clean, Safety, and Frontier**.^{*2} They should also be guided in their actions by the PILLAR CORE VALUES and Group Code of Conduct. What matters most is that our values are reflected in the approach our employees take in offering new proposals to our customers and creating new value.

^{*1} **P2** “PILLAR CORE VALUES”

^{*2} **P2** “Motto” “Purpose”

^{*3} **P11-12** “The Strengths and Sources of PILLAR”

^{*4} **P23-24** “Overview and Progress of the Medium-Term Management Plan”



Message from the President

I will now explain four key initiatives we are focusing on to achieve the goals of One2025.

The first is to *create new business foundations*. As we reflect on our centennial anniversary, it is clear that the Company's longevity is based on carrying forward the core technologies the business has been built on, while flexibly shifting our business focus to adapt to changes in societal issues over time. To give an example, our mainstay resin products for the semiconductor market are the result of a technology shift—newly adapting the fluororesin originally used in gland packings and mechanical seals. To continue growing over the next 100 years, we will need to create new businesses through a similar application of our technologies to other fields and products.

The second initiative is to *strengthen our global competitive edge*. Although our global business is performing well, I believe that we need to make further forward progress, so I plan to aggressively pursue our overseas strategy, which has been stalled since the COVID-19 pandemic, to strengthen our global competitiveness for fiscal 2025. This will entail bolstering sales and production at our overseas locations. Also, the **integration of TANKEN SEAL SEIKO CO., LTD.**^{*5} into the Group in fiscal 2023 has made it possible to manufacture high-quality carbon in-house, and we believe there will be high demand for this carbon in the semiconductor and flat panel display (FPD) markets. The Group has an established presence in China, which is a major production hub for these industries, so the demand and strategic production will complement each other well and create synergies.

The third initiative is about cash allocation—deciding how to allocate cash between shareholder returns and growth investments to increase corporate value. This is where management's capabilities are tested. We closely monitor market trends and invest in areas that support further growth, which includes expanding production facilities and strengthening the supply chain to meet customers' needs while also investing in IT and digital transformation (DX).

Regarding shareholder returns, we are aiming for a payout ratio of 30% or more.^{*6} The key is to make the right choices when identifying where to allocate capital to further strengthen our competitive edge. We are always considering mergers and acquisitions (M&A) as part of this strategy.

The fourth initiative is **promoting human capital management**.^{*7} Although somewhat late in the game, in fiscal 2023 we appointed our first female general manager, and have been steadily increasing the number of foreign nationals in our workforce. We send employees to universities and graduate schools to serve as lecturers, along with researchers and engineers to engage in collaborative research. We are enhancing internal training programs and increasing the financial support provided to employees for gaining further qualifications, as we aim to build a system that encourages employees to actively shape their careers. To attract and retain top talent, we are exploring a shift to a personnel system that evaluates and rewards employees based on performance, regardless of age, gender, life experience, or nationality. We are also considering revamping our talent management system, focusing on designing and implementing initiatives

*5 [P33-34](#)
"Roundtable Discussion on TANKEN SEAL SEIKO"

*6 [P21-22](#)
"Message from the CFO"

*7 [P50-52](#)
"Human Capital (HR Strategy)"

"We aim to achieve sustainable growth by boosting our earning power and global competitiveness."



unique to our company that will maximize employee capabilities and motivation. As part of these efforts, we issued restricted stock (RS) to all employees on our 100th anniversary. While management often hears from investors, employees may not be aware of how the Company is perceived in the stock market. As the Company grows and the number of our stakeholders grows, we hope that by owning company stock, employees can better understand the Company's current status and position in the market, elevating their engagement as players in the Company's management.

Stronger Governance and Sustainable Management

We are **strengthening our governance**^{*8} as we prepare for the next 100 years. In fiscal 2023, the number of agenda items submitted for discussion at the Board of Directors meetings increased and our **outside directors**^{*9} provided active oversight based on their specialized knowledge and experience in business management at other companies. Discussion topics were broad-ranging, from how to achieve further business growth, manage environmental risk, and find ways to provide more opportunities for women. The meetings were filled with vigorous debate, giving rise to many insightful comments.

In terms of sustainable management, we are making good progress on **KPIs for materiality**^{*10} and these efforts will continue to address priority issues diligently. In the ESG/SDGs Promotion Committee that I chair, we report, discuss, and provide guidance on a wide range of policies that include human capital management, expanding **TCFD disclosures**^{*11}, CSR procurement, and reviews of our business continuity plan (BCP).

Our policy is to make continuous, step-by-step improvements from one year to the next. Whether carrying out internal reforms or responding to external evaluations, if we are to achieve further growth, we must not only pay attention to numbers and outcomes but also make sure that actual improvements are made to our processes. The role I have been given, as I see it, is to ensure that we resolve societal issues through our business, expand our positive impact on society, and lead the Company to significant growth.

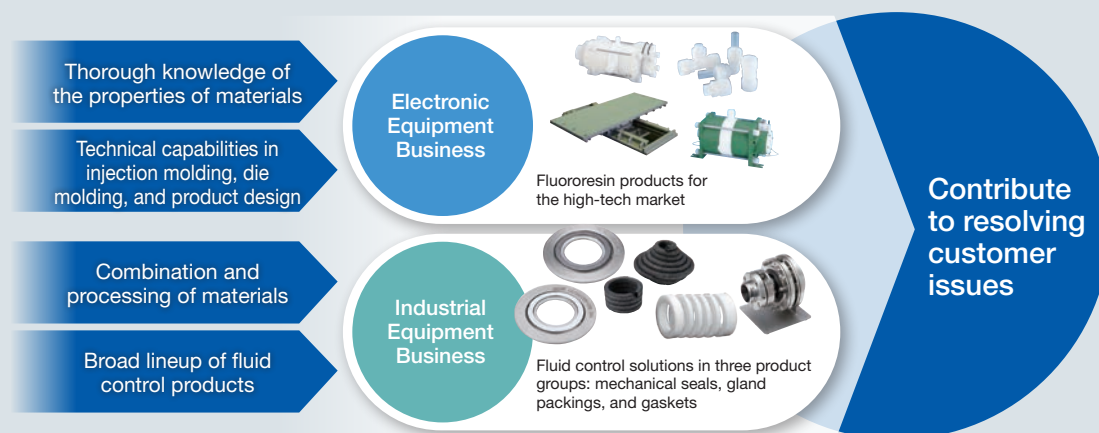
I aim to engage actively in dialogue with investors, keeping in mind whether we are providing unique value as a company and how fast we are in the industry at developing and proposing solutions that clients demand in a rapidly changing world.

We will continue to transform as a company and remain essential to society as we accelerate our growth over the next 100 years. I aim to work with our employees, striding forward together, earning the trust of our stakeholders, and living up to expectations. Please give us at PILLAR your continued warm support.

*8 [P41-46](#)
"Corporate Governance"
*9 [P47-48](#)
"Message from the Outside Directors"

*10 [P27-28](#)
"SDGs Related to the PILLAR GROUP's Material Issues"
*11 [P57-58](#)
"Information Disclosure Based on the TCFD Recommendations"

Developing products to meet specific needs



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.

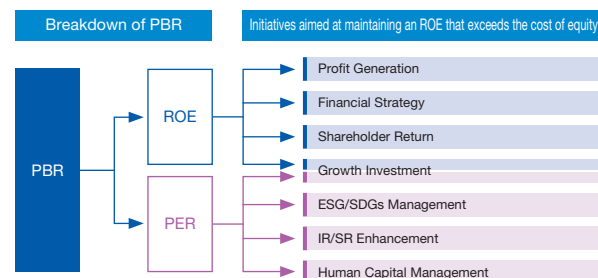
Toward Management with an Awareness of Shareholder Capital Costs

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.

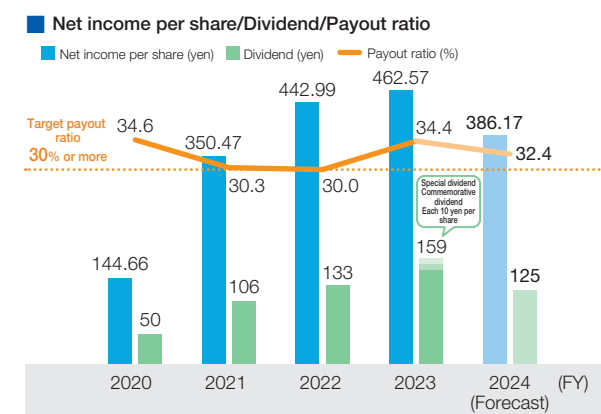


Progress of the Medium-Term Management Plan One2025 and Growth Investment

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.

Overview and Progress of the Medium-Term Management Plan

Based on our Medium-Term Management Plan One2025 (One Two Zero Two Five), which was formulated in April 2023, we are promoting business innovation and organizational transformation to further enhance corporate value.

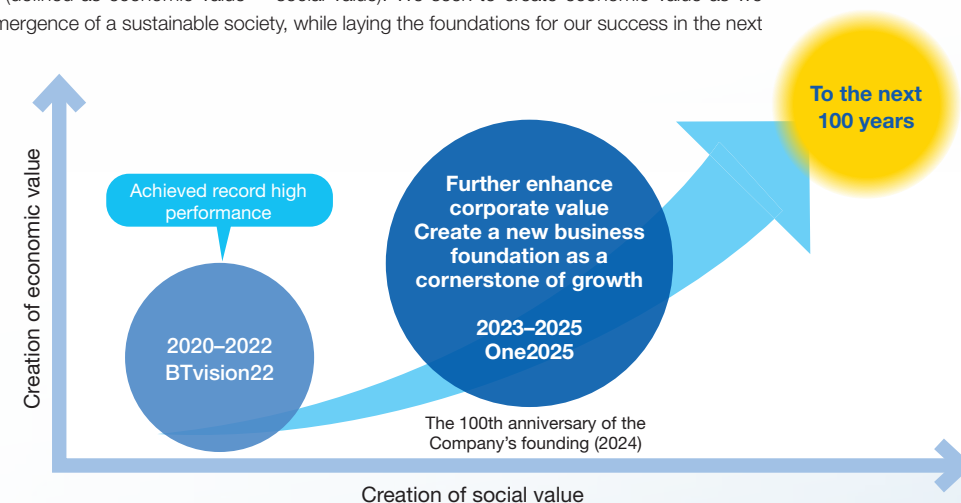


Please refer to the Company website for the four "Ones" that represent our basic philosophy

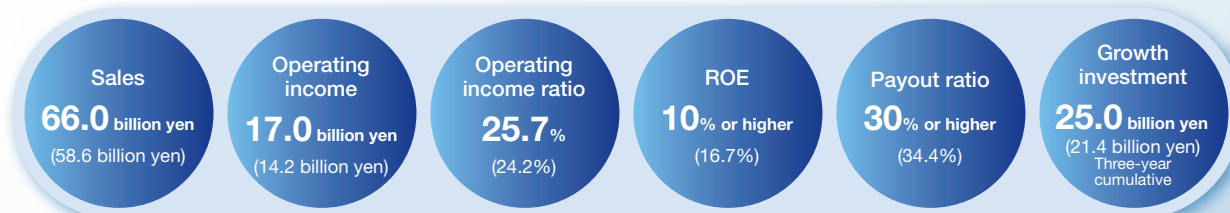


Positioning of One2025

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, while laying the foundations for our success in the next 100 years.



FY2025 Targets (FY2023 Results)



One2025 Basic Policies (Company-wide)

In 2024, as we celebrate the 100th anniversary of our founding and while looking ahead to the next 100 years, based on the following five basic policies, we are promoting business innovation and organizational transformation that will further enhance 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 collaboration among industry, government, and academia.
- 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.

Outline of Progress with One2025 Business Strategy

- 1 Evolvement of core businesses**
Production capacity has increased thanks to the completion of our Fukuchiyama Factory No. 2, which is now in operation.
We have expanded our business scale with the acquisition of TANKEN SEAL SEIKO CO., LTD. by the Group.
- 2 Strengthening of global competitive edge**
The volume of items produced at Pillar Technology (Chuzhou) Co., Ltd. has increased.
We have opened an office in Beijing as a new sales base.
- 3 Creation of a new business foundation**
Completing construction of the R&D Center at the Sanda Factory has brought together the knowledge and expertise of the Group.
We have undertaken market research, product development, and PR targeted toward the markets for hydrogen, EVs, next-generation batteries, medical care, and pharmaceuticals.
- 4 Development of sustainable management**
We have reestablished human resources strategy, including policy, principal KPIs, and specific measures.
Our response to climate change has become more sophisticated, for example, with a higher CDP score (B- to B) and by expanding TCFD disclosure.
- 5 Financial strategies that support growth**
We have initiated large-scale investment in growth, for example, with the Fukuchiyama Factory No. 2, the R&D Center at the Sanda Factory, and the acquisition of TANKEN SEAL SEIKO.
We issued green bonds as a first-time initiative for the Company.

Targets and Achievements of the Medium-Term Management Plan

In fiscal 2023, we were able to make a positive start to the One2025 plan in its first year, with record highs for both sales and operating income.

There have been some concerns, such as the burden of depreciation from the construction of new factories and a lower income ratio due to rising material prices, but thanks to increased sales, a favorable exchange rate, passing along costs to customers in some product prices, and so on, we are pushing toward the accomplishment of our plans.

Consolidated

(Millions of yen)

	BTvision22	One2025			FY2023 results
	FY2022 results	FY2025 targets	Change (amount)	Change (%)	
Sales	48,702	66,000	17,298	35.5	58,605
Operating income	13,842	17,000	3,158	22.8	14,206
Operating income ratio	28.4%	25.7%	- 2.7P	-	24.2%
ROE	18.6%	10% or higher	-	-	16.7%
Payout ratio	30.0%	30% or higher	-	-	34.4%
Growth investment	(Three-year cumulative) 3,715	(Three-year cumulative) 25,000	21,285	672.9	21,415

By Segment

	FY2022 results	FY2025 targets	Change (amount)	Change (%)	FY2023 results
Electronic Equipment Business					
Sales	36,819	48,000	11,181	30.3	40,475
Operating income	11,759	14,500	2,741	23.3	11,255
Industrial Equipment Business					
Sales	11,844	18,000	6,156	51.9	18,093
Operating income	2,059	2,500	441	21.4	2,928

Development of Sustainable Management

The Group is contributing to a sustainable society through our business and strengthening our initiatives for realizing sustained improvement in corporate value.

Sustainability Policy

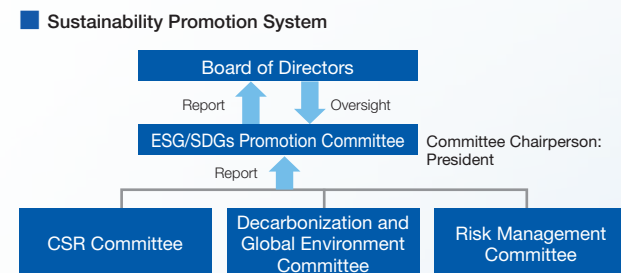
In accordance with the Corporate Principles and PILLAR CORE VALUES of the PILLAR GROUP, we will contribute to the realization of a society committed to sustainability through our business and achieve sustainable enhancement of corporate value.

(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 Promotion System



ESG/SDGs Promotion Committee
The Committee is chaired by the President and is established as a higher-level organization related to sustainability. In principle, the Committee meets quarterly to determine company-wide action policies and monitor the activities of each committee. The matters deliberated by the Committee are also regularly reported to the Board of Directors.

CSR Committee
In order to retain the trust of society, we have established this system to plan activities related to solving social issues and contributing to local communities, as well as to monitor the results of these activities.

Decarbonization and Global Environment Committee
This Committee was established to promote and appropriately control and supervise activities for decarbonization and environmental conservation in our business. In addition to ISO 14001 compliance, we have set annual targets for climate change, water resource conservation, and waste reduction, and are working on reduction activities.

Risk Management Committee
In order to minimize increasingly diverse risks, the Committee identifies, analyzes, and evaluates material risks at the Company, formulates risk countermeasures, and examines countermeasures and preventive measures against recurrence of material risks as they materialize.

One2025 Non-Financial Priority Targets

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"

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

PILLAR's Materiality

Materiality

The PILLAR GROUP seeks to contribute to a sustainable society through practicing our Motto of "Quality First, Cooperation and Harmony, Steady Research." With *Clean*, *Safety*, and *Frontier* as our keywords, we are advancing initiatives for our purpose of creating a future that supports society. As one aspect of this, we have specified the material issues that PILLAR must work on as a group that has single-mindedly refined its technologies for controlling fluids.

Materiality for PILLAR

As stated in our Sustainability Policy, in order to contribute to a sustainable society through our business and to realize sustained corporate value, we have identified material issues that the PILLAR GROUP must address.

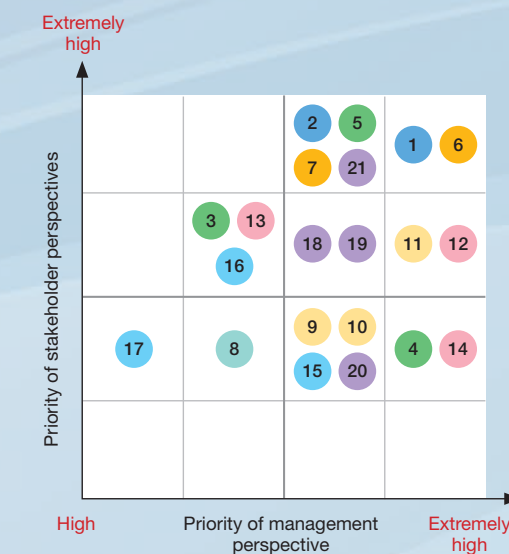
Based on the management environment that surrounds us, changes to global needs in relation to social issues, advice that we receive during our dialogues with stakeholders, and so on, going forward, we will seek to review and reexamine this materiality as appropriate.

As guideposts for business promotion and through our business activities as a Group, these issues will serve to generate a positive impact on society and the environment, or to reduce any negative impact that we may have.

The Materiality Identification Process



Materiality Matrix



The PILLAR 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 manufacture 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 base
- 9 Development and manufacture of products to cope with disasters such as earthquakes and floods
- 10 Development and manufacture 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 collaboration among industry, government, and academia
- 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

PILLAR's Materiality

SDGs Related to the PILLAR GROUP's Material Issues

Materiality group	Materiality	KPIs / FY2025 targets	FY2023 results	Related SDGs	Reference page(s)
Decarbonization and energy saving	1 Development and manufacture of products through the use of fluid control technology and material technology, etc., to enable decarbonization and energy conservation	<ul style="list-style-type: none"> Sales of 3.1 billion yen for environmental contribution products 	<ul style="list-style-type: none"> Sales of environmental contribution products of 2.6 billion yen Developed products that contribute to the carbon-neutral market (hydrogen, EVs, etc.) and energy conservation 		P56
	2 Expanding clean energy and energy savings in manufacturing	<ul style="list-style-type: none"> 25% reduction in company CO2 emissions (compared to FY2013) Installation of equipment for solar power generation for internal consumption 	<ul style="list-style-type: none"> CO2 emissions (Scopes 1+2) of 14,861 t-CO2 (22.9% increase) Completed installation of equipment for solar power generation for internal consumption at three production bases 		P59
Circular economy and resource conservation	3 Development and manufacture of sealing products using IT/DX technology and sustainable raw materials	<ul style="list-style-type: none"> Expand the lineup of environmentally friendly products Establish technologies for the internal production of recycled resins 	<ul style="list-style-type: none"> Developed low-leakage, high-performance packings that comply with standards in Europe and North America Continued to utilize recycled resins 		P29, 30, 39, 40
	4 Development and manufacture of resource-conserving products	<ul style="list-style-type: none"> Market launch of at least three products that contribute to resource conservation by customers 	<ul style="list-style-type: none"> Launched two new resource-conserving products to market 		—
	5 Resource efficiency and sustainability through improved production technology (IT/DX, automation), etc. and 3Rs of waste	<ul style="list-style-type: none"> Reduce development lead times and improve productivity 	<ul style="list-style-type: none"> Completed construction of our Fukuchiyama Factory No. 2 with a view to increasing production capacity 		P37 and 38
Prevention of chemical pollution and conservation of water resources	6 Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources	<ul style="list-style-type: none"> Develop and manufacture products that contribute to preventing chemical pollution and conserving water resources 	<ul style="list-style-type: none"> Launched to market fully split mechanical seals for water turbines 		—
	7 Prevention of chemical pollution in manufacturing and conservation of water resources	<ul style="list-style-type: none"> Abolish three chemical substances specified by the Pollutant Release and Transfer Register (PRTTR) Act 	<ul style="list-style-type: none"> Switched some lapping oils 		P60
Biodiversity conservation	8 Promoting biodiversity conservation at each base	<ul style="list-style-type: none"> Promote nature conservation work 	<ul style="list-style-type: none"> Cooperated with work to conserve cherry blossom trees in Sanda City 		P60
Product development and manufacturing in response to social issues	9 Development and manufacture of products to cope with disasters such as earthquakes and floods	<ul style="list-style-type: none"> Develop seismic isolation products in response to customer BCPs Deliver to factories, public facilities, and redevelopment projects 	<ul style="list-style-type: none"> Adopted seismic isolators for the first time in line with long-period ground motion measures 		—
	10 Development and manufacture of new products by applying technology to meet market needs (sensor business, IoT utilization, etc.)	<ul style="list-style-type: none"> Develop new materials and technologies and invest in new products Begin solutions service using IoT devices for monitoring the state of mechanical seals 	<ul style="list-style-type: none"> Consolidated technical expertise with the completion of the R&D Center at the Sanda Factory Began tests using demonstration IoT devices for monitoring the state of mechanical seals 		P37–40
	11 Pursuit of safety and quality assurance of product services	<ul style="list-style-type: none"> Promote work reforms 	<ul style="list-style-type: none"> Implemented activities for self-process completion and work reform 		—
Creation of workplaces that enable diverse human resources to grow and succeed	12 Occupational safety and health	<ul style="list-style-type: none"> Eliminate occupational accidents (zero lost-time injuries) Promote health management initiatives 	<ul style="list-style-type: none"> One incident of lost-time injury Certified as an "Excellent Corporation for Health and Productivity Management 2024" 		P53
	13 Respecting human rights and promoting diverse human resources and work styles	<ul style="list-style-type: none"> Ratio of female managers of at least 5% 100% participation rate of managers in DE&I training programs 	<ul style="list-style-type: none"> 3.3% ratio of female managers 100% participation rate of managers in DE&I training programs 		P50–53
	14 Human resources development, recruitment and retention	<ul style="list-style-type: none"> Investment in human resources development of 95,000 yen per person At least 30% of new hires to be women 	<ul style="list-style-type: none"> Investment in human resources development of 71,000 yen per person 22% of new hires were women 		P50–52
Living in harmony with the world and society	15 Creating innovation through collaboration among industry, government, and academia	<ul style="list-style-type: none"> Establish a working group to promote open innovation, and seek to upgrade core technologies and acquire new technologies 	<ul style="list-style-type: none"> Conducted collaborative research with a university for understanding the phenomenon of hydrogen tribology. Continued dispatching engineers to universities (developing data scientists) 		P39 and 40
	16 Promoting CSR procurement	<ul style="list-style-type: none"> Conduct CSR procurement questionnaire Hold business partner policy briefings 	<ul style="list-style-type: none"> 100% response rate to CSR procurement questionnaire Provided explanations relating to climate change at business partner policy briefings 		P54
	17 Contribution to regional and community development	<ul style="list-style-type: none"> Promote activities that contribute to society with a focus on regional communities 	<ul style="list-style-type: none"> Sponsored community events Continued working to support students and persons with disabilities 		P54
Establishing transparent and responsible governance	18 Ensuring board independence and transparency	<ul style="list-style-type: none"> Ensure the independence and transparency of the Board of Directors 	<ul style="list-style-type: none"> Assessed the effectiveness of the Board of Directors Held a Board of Directors meeting at the Fukuchiyama Factory No. 2 		P41–44
	19 Establishing a system for managing potential risks in business activities	<ul style="list-style-type: none"> Review periodic risk reduction measures 	<ul style="list-style-type: none"> Conducted scenario analysis relating to the impact of climate risks and opportunities (TCFD) Reviewed BCPs for main locations 		P46, 57, 58
	20 Implementing our corporate principles and integrity	<ul style="list-style-type: none"> Continue to implement Group Code of Conduct training Continue to implement training related to various laws and regulations 	<ul style="list-style-type: none"> 100% participation rate in Group Code of Conduct training Implemented training in security trade control and information security 		P46, 53
	21 Corruption prevention	<ul style="list-style-type: none"> Continue to implement Group Code of Conduct training 	<ul style="list-style-type: none"> 100% participation rate in Group Code of Conduct training 		P46

Electronic Equipment Business

Strengthening Our Production and Sales Systems in Markets Outside Japan While Improving Our Productivity and Production Capacity

We are engaged in market development in China, Europe, and North America in the interests of further expanding our business.

In addition, we have demonstrated our commitment to strengthening our competitiveness by improving the productivity of Fukuchiyama Factory No. 2, which began operating in fiscal 2023.



Masaru Fujiwara

Executive Officer
General Manager of Production Engineering Headquarters
General Manager of SANDA Production Engineering Dept.
General Manager of Fukuchiyama Factory

Business Overview

The main product groups of our Electronic Equipment Business benefit from the unique properties of fluororesins. These include piping components (fittings, pipes, pumps, and valves) that carry chemical solutions used in semiconductor and liquid crystal manufacturing equipment; sealing parts for reciprocating and rotating equipment; sliding supports, slide bearings and other seismic isolators; and high-frequency PCB materials suitable for millimeter wave applications.

In fiscal 2023, we posted a decrease in profit despite an increase in sales, which attained a record high for the fourth consecutive fiscal year.

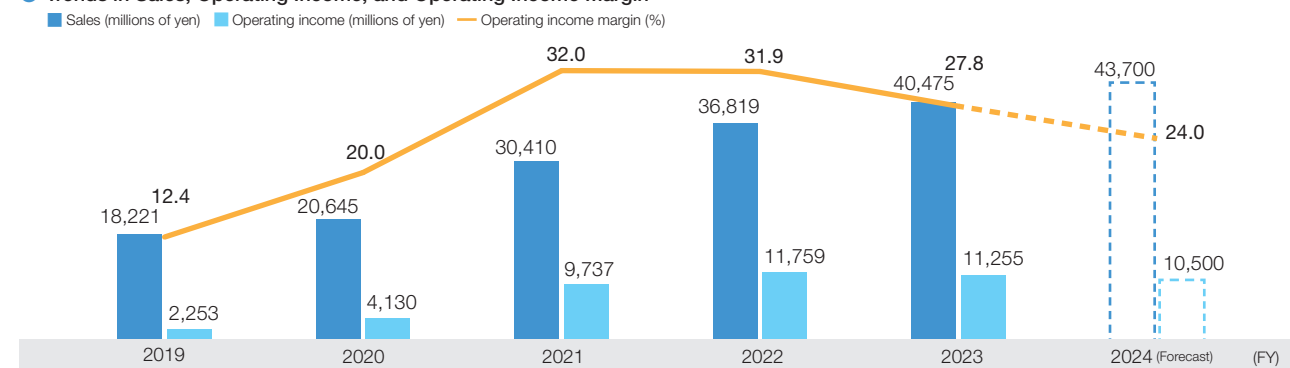
Regarding our mainstay products for the semiconductor market, sales declined due to a softening trend in orders, but this was offset

by the elimination of our backlog. In addition, sales of seismic isolators for semiconductor factories and public facilities increased to 40,475 million yen, which represents a 9.9% increase in sales for the segment as a whole compared to the preceding fiscal year.

Operating income decreased 4.3% year on year to 11,255 million yen, as rising raw material prices had a significant impact despite our efforts to improve productivity and sell at appropriate prices.

Regarding the shortage of resin used as the raw material, which has become an issue in recent years, we are continuing to test innovative production technology and apply our technical expertise in consultation with our customers. Our objective is to enable increased use of recycled resin and alternative materials.

Trends in Sales, Operating Income, and Operating Income Margin



Progress, Challenges, and Initiatives of Medium-Term Management Plan One2025

① Strengthening the foundation for further improving our competitiveness

With the completion of Fukuchiyama Plant No. 2, we are planning to increase production capacity by up to 1.8 times. As part of this effort, we will further improve productivity by expanding the number of multi-cavity molds and by achieving full-scale operation of our automated transport equipment and

automated warehouse. Moreover, we will meet the challenge of fluororesin recycling with the aim of initiating in-house production with recycled resin in addition to conserving resources and reducing our environmental impact. Our goal is to produce these recycled resins in a clean room ensuring very high levels of cleanliness.

② Strengthening existing markets and products

We continue to strengthen our production and sales systems outside Japan.

In the Chinese market, we are opening a new sales base in Beijing to expand our customer base. In the area of production, we are expanding the range of products produced by Pillar Technology (Chuzhou) Co., Ltd.

In the European and North American markets, we are building on our track record of success with major manufacturers, who have been incorporating our products in their new models.

③ Developing new businesses

In the realm of market development, we systematically monitor market needs. As for new material development, we have achieved success using recycled fluororesins and alternative materials.

Looking to product development, we are capitalizing on our successful sweep elbow project by developing the next generation of related products.

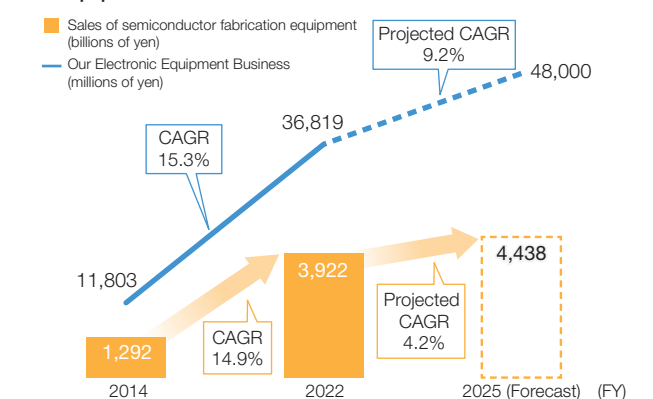
	Results for the Fiscal Year Ended March 31, 2024	Future Action Plan
Strengthening the foundation for further improving our competitiveness	<ul style="list-style-type: none"> Completed our new Fukuchiyama Factory No. 2 and started operation as planned, thus increasing our production capacity to meet market demand. Developed new sources for procuring fluororesins. 	<ul style="list-style-type: none"> To expand production capacity by up to 1.8 times in response to semiconductor market conditions To strengthen competitiveness by promoting greater production efficiency and automation To strengthen the supply chain through in-house production of recycled materials and the like and fulfill our responsibilities as a supplier
Strengthening existing markets and products	<ul style="list-style-type: none"> Opened our Beijing sales office and expanded the range of products produced by Pillar Technology (Chuzhou) Co., Ltd. for the semiconductor market. Major European and North American manufacturers of semiconductor fabrication equipment incorporated our products as standard parts in new equipment. Semiconductor factories and public facilities adopted our seismic isolators. 	<ul style="list-style-type: none"> To expand our customer base in the Chinese market To develop products that are differentiated through improved cleanliness To expand business in the European and North American markets by proactively devising solutions and strengthening our supply system
Developing new businesses	<ul style="list-style-type: none"> Developed and prototyped fluororesin substrates and sensors. Engaged in product development and public relations in preparation for entering the medical care and pharmaceutical markets and other new markets. 	<ul style="list-style-type: none"> To introduce a line of fluororesin sensors To continue development of fluororesin substrates for 5G base stations and data centers

Outlook and Prospects

We expect to experience increasing demand for semiconductors for use in personal computers and smartphones as well as in EVs and other motor vehicles. This demand will be further accelerated by the evolution of 5G communication standards and data centers incorporating semiconductors. In addition, we expect the market to continue growing as a result of the expansion of IoT, AI, and other new applications.

Our company's sales in the Electronic Equipment Business have exceeded the market's compound annual growth rate (CAGR) in both actual and forecast terms, and we expect this trend to continue in the years ahead. In addition to the growth of the market itself, we intend to expand the scale of our business by developing new customers, applications, and business segments.

Trends in the Market for Semiconductor Fabrication Equipment and Sales Trends in Our Main Business



Source: Company forecasts based on "Market Forecast Report—Semiconductor and FPD Manufacturing Equipment" issued by the Semiconductor Equipment Association of Japan (SEAJ) in January 2024

TOPIC

Opening of the Beijing Office of PILLAR Shanghai

In July 2023, we opened the Beijing office of Shanghai Pillar Trading Co., Ltd. (currently PILLAR Shanghai Co., Ltd.) as a new sales hub with the aim of strengthening our sales capabilities in China.

Through on-site sales activities, we are meeting the needs of the Chinese market, which is expected to continue expanding in the years ahead.



Industrial Equipment Business

Promoting the Shift to Carbon-neutral Markets and Maximizing Synergies with TANKEN SEAL SEIKO

By utilizing our existing products and products under development, we intend to enter the carbon-neutral product market characterized by hydrogen, EVs, and next-generation batteries.

We are also committed to strengthening our competitiveness through synergies with TANKEN SEAL SEIKO CO., LTD., which joined the Group in fiscal 2023.



Managing Executive Officer
General Manager of Sales Headquarters

Toyokazu Serita

Business Overview

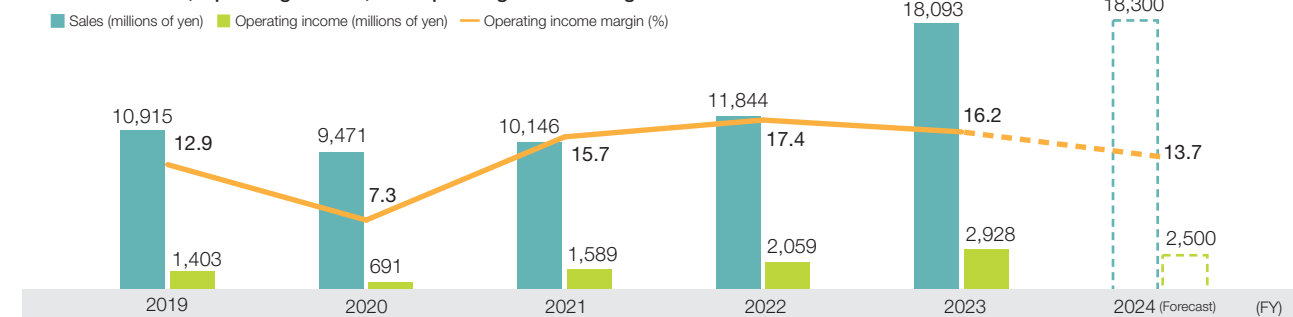
The main products that support our Industrial Equipment Business are mechanical seals, gland packings, and gaskets. These sealing components control various fluids in equipment used in plants across a wide range of industries. These plants are engaged in energy production, oil refining, chemical processing, automaking, marine vessels, the environment, water supply and sewage facilities, medical care, and food processing.

In fiscal 2023, we increased our revenue and profits, with both sales and operating income reaching consecutive record highs.

Although sales were sluggish for mechanical seals used in precision machinery, sales increased 52.8% year-on-year to 18,093 million yen due to demand for repair parts at plants outside Japan, projects related to the restart of Japan's nuclear power plants, and capital investment in safety measures in the petrochemical market.

Operating income increased 42.2% year-on-year to 2,928 million yen due to the better-than-expected performance of TANKEN SEAL SEIKO, which joined the Group in April 2023.

Trends in Sales, Operating Income, and Operating Income Margin



Progress, Challenges, and Initiatives of Medium-Term Management Plan One2025

① Strengthening the foundation for further improving our competitiveness

We are steadily reducing cycle times and costs by incorporating automation into production and shortening development lead times using artificial intelligence and by implementing digital transformation.

In addition, now that TANKEN SEAL SEIKO has joined our Group, we have been able to strengthen our after-sales support, particularly in the area of repairs and spare parts. We aim to further

expand our business while providing solutions to growing needs by improving maintenance skills and incorporating peripheral services.

② Strengthening existing markets and products

In the mechanical seal market, we are focusing on the semiconductor segment. We see this as a growth market, as we foresee the need for new functional parts in response to the demand for higher levels of cleanliness in rotary joints for chemical mechanical polishing (CMP) equipment used in high-performance chip applications, such as AI, and in the field of advanced packaging.

In the gland packing market, we aim to further expand sales by focusing on products with high sealing performance that meet European and North American standards. We will also launch new products that incorporate innovative high-performance materials that are friendly to the environment as well.

③ Developing new businesses

The R&D Center at the Sanda Factory was completed in October 2023. In addition to promoting the reciprocal adoption of

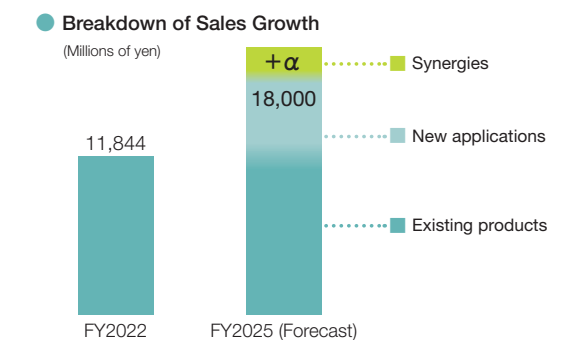
technologies by consolidating previously fragmented product development functions, we will accelerate and strengthen product development and R&D through initiatives on advanced technologies. We will achieve this through collaboration among industry, government, and academia.

By combining PILLAR's technological expertise with that of TANKEN SEAL SEIKO, we are developing unique products noted for offering a strong competitive advantage in the marketplace.

	Results for the Fiscal Year Ended March 31, 2024	Future Action Plan
Strengthening the foundation for further improving our competitiveness	<ul style="list-style-type: none"> Expanded the scale of our business by acquiring TANKEN SEAL SEIKO CO., LTD. Completed construction of the R&D Center at the Sanda Factory to gather the expertise of engineers. Introduced an initiative to reduce manufacturing costs through automation and labor-saving, including a review of production processes. 	<ul style="list-style-type: none"> To maximize synergies with TANKEN SEAL SEIKO through cross-selling, bulk material purchases, and other initiatives To accelerate product development by using artificial intelligence and implementing digital transformation To further reform and streamline production processes by introducing automated equipment and systems
Strengthening existing markets and products	<ul style="list-style-type: none"> Developed prototype rotary joints for the semiconductor market at Pillar Technology (Chuzhou) Co., Ltd. Developed IoT devices for monitoring the status of mechanical seals. Developed and introduced environmental contribution products. 	<ul style="list-style-type: none"> To establish a rotary joint production system at Pillar Technology (Chuzhou) Co., Ltd. To strengthen sales activities through collaboration with TANKEN SEAL SEIKO, including integration of business locations To strengthen our global sales capabilities and expand our presence
Developing new businesses	<ul style="list-style-type: none"> Undertook market research and promoted development of products related to hydrogen, EVs, and next-generation batteries. The R&D Center at the Sanda Factory developed an improved sealing technology to support a society committed to decarbonization. Launched new maintenance contract services to retain customers. 	<ul style="list-style-type: none"> To accelerate development of products for the hydrogen market by introducing testing equipment for a liquid hydrogen environment To strengthen sales promotion in preparation for entry into new markets such as sustainable aviation fuel (SAF) To develop and introduce EV parts using injection molding technology refined in our Electronic Equipment Business

Outlook and Prospects

In terms of decarbonization initiatives, we are making significant capital expenditures on a commercial basis that are intended to reduce environmental impacts while utilizing existing infrastructure. These efforts include the adoption of sustainable aviation fuel and the use of ammonia co-firing at power plants. At the same time, investments are progressing on a demonstration basis in the application of hydrogen and next-generation battery development. We will continue to focus on these growth areas for our Industrial Equipment Business.



TOPIC

Track Record of Adoption in New Markets and New Applications

Our mechanical seals have been adopted in projects outside Japan that utilize sustainable aviation fuel, which is attracting attention as an innovative solution with environmental benefits. Our mechanical seals have been incorporated into pumps manufactured by a Japanese pump manufacturer and are scheduled to begin commercial operation at the end of 2024. In addition, we are building on the success of this project by continuing our sales activities in five projects both inside Japan and elsewhere.

In the advanced semiconductor market, which is a new area of application for us, our mechanical seals have been adopted in a manufacturing plant for packaging materials. In the field of advanced semiconductors, which are used mainly for AI applications, technological innovation in back-end processes such as lamination and chiplets is progressing rapidly. In March 2024, we delivered mechanical seals to a major semiconductor material maker via a Japanese equipment manufacturer.

PILLAR × TANKEN SEAL SEIKO

Preparing the Industrial Equipment Business to Take Off

A year has passed since we welcomed TANKEN SEAL SEIKO CO., LTD. into the Group. This discussion covers the tangible synergies and efficiency gains we are seeing in technology, sales, production, and procurement.



Yosuke Kawasumi
Engineering Division Executive Manager
TANKEN SEAL SEIKO CO., LTD.

Yoshihiko Hatakeyama
Director
TANKEN SEAL SEIKO CO., LTD.

Michihiro Nakagawa
Director, Sales Division Manager
TANKEN SEAL SEIKO CO., LTD.

Ikuo Hoshikawa
Director, Senior Executive Officer
PILLAR Corporation

Building the Rare Capability to Produce the Sliding Material in Mechanical Seals In-House

Hoshikawa PILLAR has become the parent company of TANKEN SEAL SEIKO (hereafter, TANKEN) but the business scale of the two companies in the mechanical seal sector is roughly equal. In fact, PILLAR has held TANKEN in high regard as a peer in the industry for its customer-focused sales approach that offers exemplary solutions and its exceptional maintenance services.

PILLAR and TANKEN have both developed businesses in mechanical seals, and we have numerous areas where our products complement each other, which is why I feel that we can achieve significant synergies. Once we can source carbon for PILLAR and silicon carbide (SiC) for TANKEN from each other, for example, we can achieve in-house production of the

main sliding material for mechanical seals. Another advantage lies in business continuity planning (BCP), by having production bases in both the Kansai and Kanto (western and eastern) regions of Japan.

Nakagawa When I first heard that we would be merging with PILLAR, a company that had always been our competitor, I must admit that I became slightly disoriented. However, once we actually joined forces, I found that PILLAR's culture embraces personnel diversity, and that put me at ease to get working on integrating our systems. By pooling our respective technologies, we can produce both hard materials (SiC) and soft materials (carbon)—the typical combination for sliding materials in mechanical seals—entirely in-house, a rare capability in the industry. I am also confident that we will be able to deliver attentive and responsive service at an even better level than TANKEN is known for and further improve customer satisfaction going forward.

Learning from Differences in Design Philosophy and on the Production Floor

Hoshikawa The past year has been a period of laying the groundwork in the necessary areas to produce synergies from the integration of the two companies. It isn't easy for employees who are used to a particular environment to switch to a new set of values and start working toward a new goal. That will take further education and familiarization with the corporate philosophy and perhaps improvements to the personnel and evaluation system. How do you see the past year?

Kawasumi In the area of design, we have been conducting a temporary personnel exchange involving three managers and

three chiefs since October 2023. This has been useful in recognizing where our corporate cultures and design philosophy diverge when discussing, for example, the design elements of mechanical seals, which leads to new insights and discoveries. We have also seen the potential for complementing one another in troubleshooting by sharing or getting a "second opinion," especially in our particular areas of strength—PILLAR in mechanical seals for pumps and TANKEN in mechanical seals for agitators.

Nakagawa In the area of sales, where the range of products has expanded, the two sales headquarters have formed a working group that holds regular sessions to study up on each other's products. The idea is to arm sales staff on both sides as quickly as possible with answers to questions for any product in the Group's lineup, enabling staff to respond to customer inquiries on the spot.

We are also working to integrate sales offices. It is a huge benefit to be able to walk over to someone and ask a question or talk about something when they are on the same floor, rather than having to rely on email or a phone call. It is also enlightening just to see how people "raised" in a different corporate culture work and approach things in different ways.

Hatakeyama It was a surprise to see the speed at which everything was performed on PILLAR's production floor. We have been improving operations by discerningly incorporating PILLAR's process management techniques and steadily refining our manufacturing processes.

As for production synergies, we have set up a production system that provides PILLAR with carbon and are working to improve the factory's utilization rate and reduce costs through mass production. We are working to strengthen the supply capabilities of the PILLAR GROUP through these efforts that will result in more reliable delivery of products into customers' hands.

New Value Propositions from Improved Overall Strength

Hoshikawa I believe this is the year when we will truly begin to see the results from our efforts and synergies kicking in. Initially, I was concerned that our customers might take a negative view of the business integration, but the response to our increased overall capabilities has been largely positive. From PILLAR's perspective, TANKEN's technical expertise, materials, locations, and talented workforce have become powerful new assets, and with new value propositions emerging from our synergies, I think we are ready to take on the challenge of building another century of success.

Nakagawa These days, major changes are taking place in the market environment and at a rapid pace. To adapt, our customers are taking on new challenges. We need to work with PILLAR to create a system that can quickly identify market needs, allowing us together to beat the competition to the punch.

Kawasumi Having materials such as SiC, carbon, and fluororesin within our Group is a distinct advantage, and we plan to leverage these materials to improve existing products and develop new seals. I would also like us to try developing new products beyond seals.

Hoshikawa Rather than cherry-pick a few things to work on, I believe that through detailed discussion, we can figure out

how to best harness our mutual strengths to generate breakthrough products that will be game-changers for society. Already I feel that something truly remarkable is taking shape.

Kawasumi PILLAR has created a culture in which people are genuinely open to hearing others' ideas. That openness encourages people to hammer out ideas together, which motivates them to make good products and create good designs.

We are also doing more together socially, outside of work. For example, staff in the Kanto region seem to have developed a strong camaraderie by playing sports like futsal and golf.

To Continue Meeting Society's Needs

Hoshikawa PILLAR is listed on the Tokyo Stock Exchange's Prime Market. Before the merger, TANKEN was an unlisted company, and as such, had its own corporate governance practices. But now, as a member of the PILLAR GROUP, it is required to comply with Japan's Corporate Governance Code and such things as TCFD disclosures addressing climate change. It has begun, for example, calculating CO₂ emissions based on fiscal 2023 results. Starting this fiscal year, we plan to start working on its risk management.

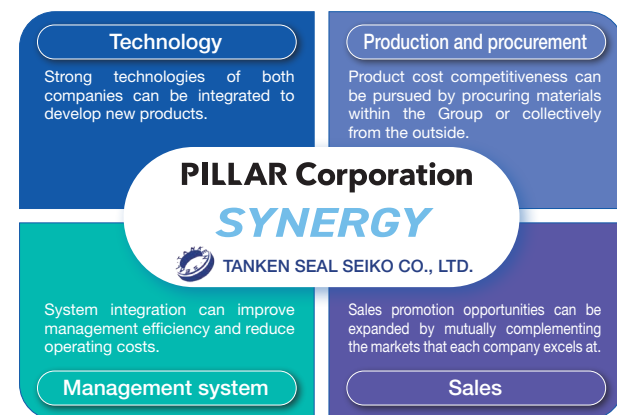
Nakagawa I would say that TANKEN's motto—Support services for safe, continuous operation—actually expresses a commitment to sustainability. By extending the lifespan of mechanical seals and repairing them for reuse, we are contributing to the longer, stable operation of equipment by the end user.

Kawasumi Likewise, I believe that our support services are TANKEN's greatest strength. In the energy market, which is going through a period of transition, we are developing seals for emerging energy industries such as biomass and geothermal power generation. By responding to evolving needs in this way, we aim to expand our market share.

Hatakeyama Our immediate goal is to substantially strengthen the Group's supply capabilities by sourcing SiC for TANKEN and carbon for PILLAR from each other. In the area of metal materials, we aim to shift from separate systems of factory management to a unified system that will boost the competitiveness of our metal fabricated parts. We will also leverage the strategic location of our TANKEN production bases, situated near the Keihin, Keiyo, and Kashima Industrial Zones of eastern Japan to provide ongoing maintenance of the products we deliver, thereby contributing to the overall performance of the Group.

Nakagawa We plan to utilize the PILLAR GROUP's network to promote our solutions-oriented products such as the ABC Seal and HS Seal in markets outside of Japan. While remaining behind the scenes in a supportive role, we aim to be a one-of-a-kind company that can meet the expectations of customers worldwide, working together to become the number one company in the industry.

Hoshikawa Many of PILLAR's main products have been geared toward the oil refining and petrochemical industries. However, as we look ahead to another ten decades in business, we want to develop a range of products that can help bring about a carbon-neutral society. I believe we can take on these challenges by leveraging each other's strengths and complementing one another to grow as a unified force.



Group Network

Serving as a Bridge of Technology in the Global Field

In 1980, the Group established Korea Pillar Packing Co., Ltd. (currently PILLAR Korea Co., Ltd.) as its first overseas base of operations, and has since been making strides toward globalization.

Currently, we are operating in 11 countries and regions around the world.

Going forward, we will continue to strengthen and expand our overseas network and provide high-performance products that benefit the lives of people around the world.



History of our expansion into markets outside Japan

- 1980 Korea Pillar Packing Co., Ltd. (currently PILLAR Korea Co., Ltd.) is established.
- 1993 Nippon Pillar Singapore Pte Ltd. (currently PILLAR Seal Solutions Singapore Pte Ltd.) as a sales hub for Southeast Asia is established.
- 1999 Nippon Pillar Corporation of America (currently PILLAR America Inc.) in the U.S.A. is established.
- 2001 Taiwan Pillar Industry Co., Ltd. (currently PILLAR Taiwan Co., Ltd.) in Taiwan is established.
- 2003 Suzhou Pillar Industry Co., Ltd. in China is established.
- 2007 Shanghai Pillar Trading Co., Ltd. (currently PILLAR Shanghai Co., Ltd.) in China is established.
- 2010 Nippon Pillar Packing Co., Ltd. Alger Liaison Office in Algeria is established.
- 2015 Nippon Pillar Middle East FZCO (currently PILLAR Middle East FZCO) in the UAE is established.
- Nippon Pillar (Thailand) Co., Ltd. (currently PILLAR Seal Solutions (Thailand) Co., Ltd.) in Thailand is established.
- 2016 NPK Fluid Control Systems Mexico S.A. de C.V. (currently PILLAR Seal Solutions Mexico S.A. de C.V.) in Mexico is established.
- 2018 Nippon Pillar Europe GmbH (currently PILLAR Europe GmbH) in Germany is established.
- 2019 PT. Nippon Pillar Manufacturing Indonesia (currently PT. PILLAR Manufacturing Indonesia) and PT. Nippon Pillar Indonesia (currently PT. PILLAR Seal Solutions Indonesia) in Indonesia are established.
A production facility in Nippon Pillar Corporation of America Houston Office (currently PILLAR America Inc. Houston Office) is added.
- 2020 Pillar Technology (Chuzhou) Co., Ltd. in China is established.
- 2021 Operation of Pillar Technology (Chuzhou) Co., Ltd. begins.
- 2023 Beijing Office of Shanghai Pillar Trading Co., Ltd. (currently PILLAR Shanghai Co., Ltd.) opens.

List of overseas sites

- PILLAR Taiwan Co., Ltd. Taipei Office
- PILLAR Taiwan Co., Ltd. Takao Factory
- PILLAR Shanghai Co., Ltd.
- PILLAR Shanghai Co., Ltd. Beijing Office
- Pillar Technology (Chuzhou) Co., Ltd.
- PILLAR Seal Solutions Singapore Pte Ltd.
- PT. PILLAR Seal Solutions Indonesia
- PT. PILLAR Manufacturing Indonesia
- PILLAR Seal Solutions (Thailand) Co., Ltd.
- PILLAR Korea Co., Ltd.
- PILLAR Middle East FZCO
- PILLAR Europe GmbH
- PILLAR America Inc. Houston Office
- PILLAR America Inc. Fremont Office
- PILLAR Seal Solutions Mexico S.A. de C.V.
- Nippon Pillar Packing Co., Ltd. Alger Liaison Office

List of domestic sites

- <Factories and business locations>**
- Sanda Factory (Sanda City, Hyogo Prefecture)
 - Fukuchiyama Factory (Fukuchiyama City, Kyoto Prefecture)
 - Kyushu Factory (Koshi City, Kumamoto Prefecture)
- <Branch offices>**
- | | |
|------------------------|-------------------------|
| Tokyo Branch Office | Osaka Branch Office |
| Yokohama Branch Office | Kobe Branch Office |
| Nagoya Branch Office | Hiroshima Branch Office |
| Kyoto Branch Office | Kyushu Branch Office |
- <Domestic Group companies>**
- TANKEN SEAL SEIKO CO., LTD.
 - PILLAR Seal Solutions Corporation
 - PILLAR Precision Corporation
 - NP Kogyo Corporation
 - NP Sangyo Corporation
 - NP Real Estate Corporation
 - PILLAR Kyushu Corporation
 - Masuko Manufacturing Corporation

Parent Factories that Underpin Our Business

Manufacturing Capital Supports Growth

Strengthening technological, development, and production systems through proactive capital investments

By renovating the Sanda Factory and constructing the Fukuchiyama Factory No. 2 and the R&D Center at the Sanda Factory, we are renewing our production system and building systems designed to increase production. Moreover, we are strengthening our engineering and development divisions and enhancing our training facilities. As we construct such new factories, we have also received high ratings from the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for incorporating environmentally friendly solutions in their design.

Sanda Factory, a Parent Factory That Provides Fluid Control Technology

As our main factory, the Sanda Factory plays the role of a parent factory. It is responsible for producing sealing products for the industrial equipment market. These products include mechanical seals, gland packings, and gaskets. The factory also incorporates a research and development department.

In March 2020, it was reopened as a state-of-the-art factory following extensive renovation work.



Sanda Factory

Concepts

- Improve productivity through a rationalized layout, expanded automation and mechanization, and the introduction of IoT.
- Improve the working environment, safety, and BCP effectiveness.
- Improve visitors' sense of trust and security through the addition of a technology training center, analysis center, and showroom.

R&D Center at the Sanda Factory

In October 2023, construction was completed at the Sanda Factory on our R&D Center, which is a base for strengthening product development capabilities and generating innovation by combining and fusing together PILLAR's technologies, and by collaborating among industry, government, and academia.

Having acquired CASBEE rank A certification, we have installed equipment for solar power generation for internal consumption on the roof, thereby making the center more environmentally friendly.

The center consists of three floors—the product development floor, the office floor, and the R&D floor—and is intended to generate and utilize comprehensive knowledge by bringing together a diverse range of engineers from the Sanda Factory.



R&D Center at the Sanda Factory

Concept

- A place for the speedy creation of innovative products
- A place for the sustainable development of new materials, technologies, and processing methods

TOPIC

Issuing Green Bonds

As a means of obtaining capital for allocation to business that functions to improve the environment, in December 2023, the Company issued green bonds for the first time.

In a financing context, we are disseminating our ESG management initiatives and endeavoring to strengthen our engagement with stakeholders, with the aim of realizing a sustainable society.

Name:	First unsecured corporate bond
Total amount of corporate bonds:	10 billion yen
Use of capital:	<ul style="list-style-type: none"> • Construction capital for the Fukuchiyama Factory No. 2 (has CASBEE rank S certification) • Construction capital for the R&D Center at the Sanda Factory (has CASBEE rank A certification)

Acquiring New Key Technologies

When TANKEN SEAL SEIKO CO., LTD. was founded in 1955, it achieved successful domestic production of carbon rings, which are the principal component of mechanical seals. It has developed since then with mechanical seals and carbon technologies as its core technologies.

With the addition of TANKEN SEAL SEIKO to the PILLAR GROUP in April 2023, we acquired new key technologies. Thanks to this, the Group now has the material technologies of silicon carbide (SiC) and carbon, sliding materials that can be described as the heart of mechanical seals. In the process, we have become a seal manufacturer capable of producing both technologies in house.

Furthermore, with porous carbon, a product developed by



TANKEN SEAL SEIKO Head Office/Keihin Sales Branch

TANKEN SEAL SEIKO, we intend to promote further research and development in the Group as a whole, and to strengthen sales by expanding our markets, increasing sales channels, and so on.

Fukuchiyama Factory No. 2

In September 2023, we completed construction of our Fukuchiyama Factory No. 2 in response to even greater demand for products aimed at the electronic equipment-related market.

By designing the factory to be environmentally friendly, we acquired CASBEE rank S certification. The roof of the building is scheduled to be fitted with equipment for solar power generation for internal consumption.

Furthermore, we own enough land on the same site for further expansion, with space for the construction of three more factory buildings on a similar scale. Going forward, our plan is to augment the factory with a flexible approach.



Fukuchiyama Factory No. 2

Concepts

- Significant increase in production capacity (up to an 80% increase)
- Stronger cost competitiveness through constructing a new production system
- Complies with customers' stringent quality requirements
- Highlights our technology through its open concept design

Large-Scale Industrial Clean Rooms

At the Fukuchiyama Office and Kyushu Factory, we have introduced large-scale industrial clean rooms (spaces intended to minimize airborne microparticles and microorganisms to a level of cleanliness that attains a specific standard in order to prevent the contamination of surfaces with impurities and dust).

At PILLAR, the cleanliness in our clean rooms is monitored and constantly maintained at an appropriate level.

Furthermore, at the Fukuchiyama Factory No. 2, we have adopted a downflow system that emits clean air from the ceiling and draws it away through the floor. This system provides stable, high levels of cleanliness. Going forward, we will continue to respond to cleanliness needs in the market.



Clean room

R&D



With the evolution of our core technologies and the increasing strength of our fundamental technologies focused on our key concepts of *Clean, Safety, and Frontier*, we will create unique value and achieve our goal of “Creating a future that supports society”

Executive Officer
General Manager of Engineering Headquarters

Kazukiyo Teshima

PILLAR Corporation's Core Technologies and R&D Concepts

Since our founding, we have been utilizing our fluid control technology and material development expertise to explore little-known materials while pursuing research and development targeting the most advanced technologies. This effort is part of our initiative to create value that adapts to market trends while addressing societal issues.

Our fundamental technologies—which include sealing, material engineering, mechanical engineering, injection molding, analysis, and mold design—support the evolution of the core technologies of both our Electronic Equipment Business and our Industrial Equipment Business.

In our Electronic Equipment Business, our core technologies include the manufacture of resin seals, fluororesin injection molding, microscopic analysis, and computer-aided engineering (CAE). These technologies are used mainly in the development of products for the semiconductor

market, an industry noted for requiring high levels of cleanliness. In our Industrial Equipment Business, our core expertise includes tribology, material formulation, and CAE, which are mainly used in the development of products for the power and petrochemical markets.

The core technologies that have evolved in each of our business segments are disseminated to our personnel through the normal rotation of roles across our various businesses. We are combining these core technologies to promote value creation even as we accelerate the evolution of these technologies. In addition, by appropriately reviewing our development portfolio, we are examining the balance between R&D and product development, and between the acquisition of new technologies and the strengthening of existing technologies. At the same time, we are promoting technological development for the short term as well as the medium and long terms.

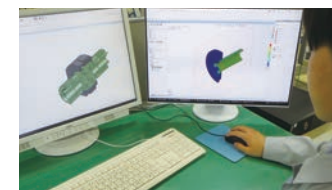
Analysis and Testing Equipment

As the owner of many patented products, we conduct a number of experiments under actual operating conditions before introducing our products to society. Our research and development, supported by the latest verification technologies, continues to evolve toward even higher goals.



Microscopic analysis technology

In order to meet the ever more stringent cleanliness requirements associated with the increasing miniaturization of semiconductors, we are building a system capable of performing multifaceted analysis of both organic and inorganic substances.



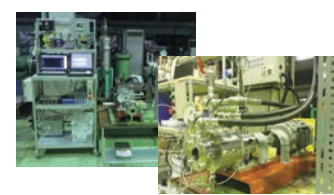
Design with 3D CAD

We undertake basic structural analysis and design in a seamless manner, which leads to faster product designs and targeted solutions.



Test equipment for semiconductor and liquid crystal manufacturing devices

To evaluate performance under the harsh operating conditions that exist in the semiconductor fabrication industry, we utilize thermal cycle test equipment capable of cycling between high and low temperatures.



Data collection and analysis test equipment for failure prediction

This test equipment is used to collect and analyze data on pressure, temperature, torque, vibration, etc. under operating conditions, including failure modes, in order to establish technology for predicting mechanical seal failures.



X-ray Photoelectron Spectroscopy (XPS)

This analytical device can determine the bonding state of atoms and molecules on and below the surface of a material. This innovation helps to elucidate the tribological phenomena of sealing products for the hydrogen market.



1000 kN universal testing equipment

The device is capable of performing sealing, compression, and tensile tests while precisely controlling the load on products and materials. With 24-hour continuous operation possible, continuous data can be obtained on changes that occur over time.

Innovation through Collaboration among Industry, Government, and Academia

As part of our effort to improve sealing technology through collaboration among industry, government, and academia, we are conducting research into the optimal sliding interface and optimal lubrication of gland packings. In today's market, gland packings used for valves are expected to be more environment-friendly than ever before. We select materials that provide sealing performance fully compliant with international standards as well as levels of friction low enough to avoid impeding valve function. In our work, we also consider their

environmental impact; toward that end, we use Materials Informatics (MI), which applies information science technology to improve the efficiency of material development. Through our comprehensive research on optimal lubrication and various analyses related to the ideal sealing surface, we are developing products that meet emerging market needs.



EDP® Packing

Efforts Aimed at the Semiconductor Market

Accompanying the miniaturization of semiconductors, particle reduction demands are increasing year by year, and there is a need to improve the cleanliness of individual components. In terms of materials, we employ our in-house microanalysis technology to develop products offering even higher levels of cleanliness. As for product designs for piping and pump-wetted parts, we engage in “front-loaded” development that uses the data we possess in combination with CAE to identify and solve problems at the initial stage of development.

As a sustainability initiative, we are employing the “3Rs” (reduce, reuse, recycle) for fluororesin and are considering ways to utilize this approach in compliance with the specifications required for semiconductors.



Super 300 Type PILLAR Fitting

Initiatives Targeting Our Solutions Business

Our objective is to provide the market with value through innovation, not only by improving the functionality and versatility of our products, but also by leveraging the expertise in fluid control technology we have refined over the years. Toward that end, we are focused on establishing a mechanical seal condition monitoring service. Building on our many years of experience in design and development, we have produced a sensor that provides a visual representation of the operating status of a mechanical seal. This breakthrough reduces the risk of production loss due to issues arising with our customers' production equipment.

Moreover, we provide a service that incorporates condition-based maintenance (CBM) as a means of optimizing equipment maintenance. We remain focused on accumulating actual equipment condition monitoring data as we work to establish technologies capable of failure prediction.

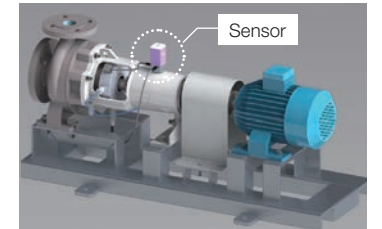


Illustration of a pump-mounted sensor

TOPIC

Applying Digital Transformation to Material Development: Front-Loading of Powder Compression Molding

Many of our main materials are available in powder form. Unlike liquids, powders generally undergo plastic deformation in which the volume changes. We therefore need to develop “front-loaded” materials requiring no rework. Toward this end, it is essential that we have access to analysis technology that accurately predicts phenomena such as complex constitutive equations and the identification of cracks and chips. To address this need, we developed an AI algorithm that accurately identifies the parameters of the constitutive equation and the corresponding test device. This approach provides us the ability to predict phenomena with an error rate of less than 5%, thus minimizing density unevenness in molded bodies and reducing the amount of material used.

Digital transformation is enabling us to perform comprehensive desktop research on the powder molding process, which is resulting in the development of materials that require no rework.



Corporate Governance

Basic Approach

Customer satisfaction is the fundamental starting point for the Group's corporate activities, and earning the esteem and trust of our customers makes it possible to achieve sustained growth and profits. The Group recognizes corporate governance as an important task for management in realizing its basic policy of connecting this customer satisfaction to greater corporate value, and to the satisfaction of shareholders and other stakeholders. We believe it is also important to establish

management organizations and internal controls so that sound, highly transparent decision-making can be swiftly carried out.

Corporate governance fundamentally is not only compliance with laws and regulations but also consists of promoting business activities that respect corporate ethics, morality, and fairness and developing smooth, disciplined and cooperative relationships with all stakeholders.

Governance Summary

Format of governance organization Company with an Audit & Supervisory Committee	Advisory body to Board of Directors Independent committees	Number of directors (excluding directors who are Audit & Supervisory Committee members) 6 (including 2 outside directors)
Number of directors who are Audit & Supervisory Committee members 3 (including 2 outside directors)	Number of independent directors (including Audit & Supervisory Committee members) 4	Number of Board of Directors meetings in fiscal 2023 8
Term of office for directors 1 year (excluding directors who are Audit & Supervisory Committee members)	Performance-linked remuneration Provided	Takeover defense measures Implemented

Executive Skills Matrix

	Name	External	Corporate management	Production/Technological development	Sales/Marketing	Finance/Accounting	Legal affairs/Compliance	Environment/Sustainability
Directors	Kiyohisa Iwanami		●	●	●		●	●
	Yoshinobu Iwanami		●	●	●		●	●
	Ikuo Hoshikawa		●	●				●
	Katsuhiko Shukunami		●			●	●	●
	Yoshinori Suzuki	●	●		●	●		●
	Junichi Komamura	●	●		●			
Directors who are Audit & Supervisory Committee members	Tomonobu Yoshida			●			●	
	Kazumitsu Takaya	●				●		
	Kyoko Kobayashi	●					●	

Transition of Corporate Governance

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of directors	Internal	7	6	6	6	5	5	5	5	5	5	5
	External	3	4	4	4	4	3	4	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)
Ratio of outside directors												
		30.0%	40.0%	40.0%	40.0%	44.4%	37.5%	44.4%	44.4%	44.4%	44.4%	44.4%

- | | | |
|--------|---|--|
| FY2017 | · Transition to a Company with an Audit & Supervisory Committee | · Beginning of performance-linked remuneration |
| FY2019 | · Establishment of a Nomination and Remuneration Advisory Committee | |
| FY2020 | · Introduction of a restricted stock remuneration plan | · Issuance of Integrated Report |
| FY2021 | · Establishment of an ESG/SDGs Promotion Committee | · Revision of Group Code of Conduct |

Officer Profiles

Directors

Chairman & CEO
Kiyohisa Iwanami

Aug. 1978 Joined the Company Director
Feb. 1985 Managing Director
Aug. 1987 Executive Vice President
Jun. 1989 President
Jun. 2007 President and Executive Officer
Jun. 2020 Chairman & CEO (to present)

President
Yoshinobu Iwanami

Jun. 2010 Joined the Company Executive Officer
Jun. 2012 Director
Mar. 2013 Deputy General Manager, Production Headquarters
Mar. 2014 General Manager, Global Business Promotion Department
Jun. 2014 Managing Executive Officer
Jun. 2018 Senior Executive Officer
Jun. 2020 General Manager, Sales Headquarters President (to present)
President and Executive Officer (to present)

Director, Senior Executive Officer
Ikuo Hoshikawa

Jun. 2010 Executive Officer
Jun. 2014 Managing Executive Officer
Mar. 2016 General Manager, Sanda Factory (to present)
Jun. 2016 Director (to present)
In charge of Engineering/Production Division (to present)
General Manager, Production Engineering Headquarters
Apr. 2018 General Manager, Production Headquarters
Jun. 2018 Senior Executive Officer (to present)

Director, Senior Executive Officer
Katsuhiko Shukunami

May 2014 Joined the Company General Manager, Corporate Planning Department (to present)
Jun. 2014 Director (to present)
Executive Officer
Jun. 2016 Managing Executive Officer
Mar. 2017 General Manager, Security Trade Control Department
General Manager, Information System Department
Jun. 2018 General Manager, Administration Headquarters (to present)
Jun. 2020 Senior Executive Officer (to present)

Outside Director
Yoshinori Suzuki

Apr. 1975 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation) Executive Officer
Jun. 2003 Managing Executive Officer
Apr. 2013 Senior Managing Executive Officer
Jun. 2013 CFO and Senior Managing Director
Apr. 2014 Visiting Professor, Doshisha Business School (to present)
Jun. 2014 Representative Director, Vice President and CFO, OMRON Corporation
Jun. 2019 Outside Director of the Company (to present)

Outside Director
Junichi Komamura

Apr. 1973 Joined Mitsubishi Corporation
Apr. 1996 Director, Mitsubishi Corporation's Italian and UK portfolio companies
Aug. 2003 Executive Officer, Morishita Jintan Co., Ltd.
Jun. 2004 Director, Managing Executive Officer and Head of Corporate Planning
Apr. 2005 Senior Managing Director and Senior Managing Executive Officer
Nov. 2005 Representative Director and Managing Executive Officer
Oct. 2006 Representative Director and President
Mar. 2012 Member of the Board, AnGas, Inc. (to present)
May 2020 Outside Director, TOKAI BUSSEAN CO., LTD. (to present)
Jun. 2020 Outside Director of the Company (to present)
Dec. 2022 Outside Director, AI-BrainScience, Inc. (to present)

Director (Audit & Supervisory Committee member)
Tomonobu Yoshida

Aug. 2014 Joined the Company
Apr. 2018 General Manager, Fukuchiyama Production Department
Apr. 2021 General Manager, Internal Audit Office
Apr. 2024 General Manager, General Affairs & Personnel Department
Jun. 2024 Director (Full-Time Audit & Supervisory Committee member) (to present)

Outside Director (Audit & Supervisory Committee member)
Kazumitsu Takaya

Mar. 1989 Registered as a certified public accountant
Aug. 1992 Registered as a certified public tax accountant
Mar. 2004 Established Takaya CPA Office
Dec. 2004 Representative Partner, Nexus Audit Corporation (to present)
Jun. 2016 Outside Director, HIRANO TECSEED Co., Ltd. (Audit & Supervisory Committee member) (to present)
Jun. 2019 Outside Director of the Company (Audit & Supervisory Committee member) (to present)

Outside Director (Audit & Supervisory Committee member)
Kyoko Kobayashi

Apr. 1999 Registered as an attorney at law
Joined Irokawa Law Office (currently Irokawa Legal Professional Corporation)
Sep. 2009 Seconded to Legal Affairs Office, Sharp Corporation
Sep. 2014 Returned to Irokawa Law Office
Jan. 2018 Partner at Irokawa Law Office
Feb. 2018 Outside Auditor of Kawakami Paint Manufacturing Co., Ltd. (to present)
Jan. 2020 Partner of Irokawa Legal Professional Corporation (to present)
Jun. 2020 Outside Director of Mitsubishi Logistics Co., Ltd. (to present)
Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee member) (to present)

Executive Officers (Excluding Directors)

Managing Executive Officer	Masato Wada	President, TANKEN SEAL SEIKO CO., LTD.
Managing Executive Officer	Toyokazu Serita	Sales Headquarters
Executive Officer	Masaru Fujiwara	Production & Engineering Headquarters, Sanda Production Engineering Dept. and Fukuchiyama Factory
Executive Officer	Kazukiyo Teshima	Engineering Headquarters
Executive Officer	Tomotaka Nakagami	Managing Director, TANKEN SEAL SEIKO CO., LTD.
Executive Officer	Masanobu Ono	Production Headquarters
Executive Officer	Yutaka Miyamoto	Process Dept. and Seismic Isolation Headquarters

Officer Remuneration

The remuneration of our senior management and directors is linked to our business performance and corporate value. The purpose of the remuneration is to further raise morale and motivation to continuously improve business performance and corporate value over the medium to long term, and to secure outstanding human talent to improve corporate governance through the proper supervision and auditing of the execution of business operations. Thus, the Company has established an equitable remuneration level and remuneration system commensurate with the duties of each employee.

Remuneration for senior management and directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) consists of fixed remuneration, performance-linked remuneration, and restricted stock remuneration. The amount of compensation is determined by the Board of Directors after deliberation by the Remuneration Advisory Committee, a voluntary committee comprised of a majority of independent outside directors, within the amount resolved at the General Meeting of Shareholders.

For outside directors (directors who are not members of the Audit & Supervisory Committee and those who are members of the Audit & Supervisory Committee), the amount of their remuneration is determined at the time of their invitation, together with the nature of their work. Since they are in a position independent of the execution of operations, performance-linked remuneration and restricted stock remuneration are not paid to them. In addition, the remuneration of directors who are members

of the Audit & Supervisory Committee is determined through discussions by the Audit & Supervisory Committee.

The fixed remuneration ranges from 50% to 60% of the cash remuneration corresponding to the position, with the higher the position, the lower the percentage of the fixed remuneration.

The indicators used for performance-linked remuneration are consolidated sales as an indicator of business scale, consolidated operating income as an indicator of sustained improvement in corporate value, consolidated operating margin as a gauge of management efficiency, ROE as an indicator of capital efficiency, and ESG indicators, each of which is weighted according to each position. Consolidated sales and consolidated operating income are assessed by comparison with the previous year. ESG indicators are assessed on a four-level scale based on a comprehensive evaluation of external assessments and the Company's own efforts to address ESG items.

For the fiscal year ended March 31, 2023, consolidated sales were 119.7% of the previous year's level, and similarly, consolidated operating income was 121.5% of the previous year's level. The consolidated operating margin was 146.0% and ROE was assessed at 200.0%.

Regarding ESG indicators, we have conducted an external ESG assessment and evaluated them according to their ranks, and last year we applied 110% as our assessment since we received a B- rating.

Officer classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)				Number of officers
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses	Non-monetary remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	214	62	108	—	43	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	5	5	—	—	—	1
Outside officers	17	17	—	—	—	4

(Note) The breakdown of the total amount of non-monetary remunerations for directors (excluding Audit & Supervisory Committee members and outside directors) is the amount of restricted stock remuneration recorded as an expense for the current fiscal year of 43 million yen.

Our IR Activities

We conduct semi-annual financial results briefings for institutional investors and analysts with the basic approach of having the Company president himself provides the explanation. In addition, we hold small meetings and engage in one-on-one dialogue to help our clients better understand our business. We also hold company information sessions for individual investors, both online and in person.

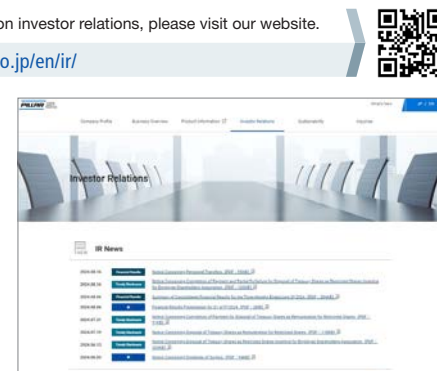
The Company's website contains financial statements, annual securities reports, and timely disclosure materials, as well as materials

Activity	Held (times)	Details
Financial results briefing for analysts	2	Briefing on financial results and initiatives for institutional investors and securities analysts held in June and November (at full-year and interim financial closing)
Small meetings	2	Briefing on business description, financial results and initiatives for institutional investors and securities analysts on an irregular basis
Factory tours	2	Factory tour for institutional investors and securities analysts on an irregular basis
Individual IR for analysts	208	Briefing on business description, financial results, initiatives, etc. for institutional investors and securities analysts whenever necessary
Company briefings for individual investors	5	Briefing on business description, business model, shareholder returns, etc. for individual investors

related to financial results and company presentations, and also contains videos. We are working to enhance the content of our website by creating a page for individual investors who are unfamiliar with the Company, and disclosing information in English for overseas investors. We also provide videos of our General Meeting of Shareholders.

For more information on investor relations, please visit our website.

<https://www.pillar.co.jp/en/ir/>



Risk Management

In order to minimize increasingly diverse risks, we are working to strengthen risk management as part of our internal controls. The Risk Management Committee is the driving organization to build a framework that systematically analyzes and assesses material risks, implements measures to mitigate them, and shifts the focus to activities to continuously improve.

Through this Committee, the Company identifies, analyzes, and assesses the material risks associated with its business activities, and formulates and reviews countermeasures against these risks after confirming the status of countermeasures against these risks, such as avoidance, mitigation, relocation, and retention. In the event that a risk materializes despite the implementation of a variety of countermeasures, we will take appropriate action to quickly resolve the problem in cooperation with the concerned divisions, and will strive to identify the cause of the problem and formulate and implement measures to prevent its recurrence.

For more information about our risk management policy, please visit our website.

<https://www.pillar.co.jp/en/sustainability/risk-management/>



Risk Management Promotion System



Major Risk Factors

Risk type	Risk factor
External environmental risks	(1) Quality
	(2) Market fluctuations
	(3) Fluctuations in financial and stock markets and economic conditions
	(4) Overseas production and sales systems and foreign exchange trends
	(5) Procurement of raw materials and price trends
Resource and infrastructure risks	(6) Information security
Human resources risk	(7) Human resources
Legal risks	(8) Violation of laws and regulations
Natural disaster and other risks	(9) Natural disasters, etc.
Other risks	(10) Other risks

Compliance

The Group has established the Group Code of Conduct as a set of especially important guidelines for directors and employees in their daily work to ensure compliance with laws and regulations and to improve ethical business conduct. We strive to ensure that all employees are thoroughly familiar with these Guidelines by posting them on our website (in both Japanese and English) and our intranet, as well as through annual e-learning programs for all employees and various in-house training programs.

The Company manages its subsidiaries through procedures such as approvals, decisions, and reports from those subsidiaries in accordance with the Affiliate Management Rules. The Company also respects the autonomy of each subsidiary as an independent company and fully discusses important management issues that may arise among Group companies.

In addition, the Internal Audit Office periodically conducts internal audits of each subsidiary. For our overseas subsidiaries,

Corruption Prevention

The Group recognizes corruption as the use of entrusted power, whether monetary or non-monetary, for personal gain. We do not engage in any form of corruption, including payment of rewards to public officials or employees of other companies, excessive

we have also prepared a Management Book that summarizes guidelines and past examples to prevent management risks that may occur at overseas locations and minimize damage when risks become apparent, and we are working to ensure that all employees are familiar with the contents of this book.

A whistleblower system has been introduced for the early detection of misconduct, including violations of laws and internal regulations. Alongside a unified internal hotline for all Group employees and directors in Japan and overseas, we have established and are operating an external hotline for direct consultation with a legal advisor. In the case of any violation of laws and regulations or any event that violates corporate ethics, the Company responds promptly through convening the Corporate Ethics Committee. In fiscal 2023, there were five whistleblower cases, all of which were handled appropriately.

entertainment, bribery like giving or receiving of gifts, embezzlement, money laundering, or insider trading, or any other form of corruption.

We also respect and comply with the relevant laws and regulations of all countries and regions in which the Group operates.

Messages from the Outside Directors

Outside Director
**Yoshinori
Suzuki**



On the path to sustainable growth and higher corporate value

PILLAR's market capitalization, as a measure of corporate value, has grown more than fourfold over the past four years thanks to continuing organizational innovation, the development of the Company's employees, and support from partner companies and society at large. It is a testament to the Company's strength in its centennial year.

Fiscal 2023 was a year of proactive investment aimed at further growth to enhance corporate value. The acquisition of TANKEN SEAL SEIKO CO., LTD. has been especially notable and worth watching.

I have learned a few important things from nearly a dozen M&A deals I have been involved with over the years in Japan and overseas. One is that in deciding to acquire a company, it is crucial to assess the validity, importance, and feasibility of the synergies that the deal can create. The bulk of the target company's value above its book value, the "goodwill," is largely based on the anticipated synergies. After a series of discussions and Q&A sessions held at the Board meetings to scrutinize the validity, feasibility, monetary valuation, and risks associated with the goodwill, I ultimately supported the transaction. I concluded that it was a challenge worth pursuing, one that would likely enhance the Company's market differentiation and competitive positioning, which are essential for future profits.

I am sure that this synergy will be realized through the evolution into a group driven by the satisfaction of personal growth and the passion to achieve ambitious goals. The next two years will be especially critical, and I intend to remain engaged with the Board to ensure this success.

Outside Director
**Junichi
Komamura**



The backbone of a 100-year company intent on further growth

PILLAR has grown as a company by refining its core fluid control technologies and broadening its business scope to meet market needs time and again, reaching its 100th anniversary in 2024. In fiscal 2023, I worked with the Board of Directors to ensure that the sustainability of growth, along with social accountability and engagement, stayed on the directors' radar as the Company reached new milestones.

Fiscal 2023 was characterized by proactive investment, unprecedented in recent years, to build toward the goals in the Medium-Term Management Plan, One2025. Each initiative was discussed thoroughly and all were deemed highly effective engagements that will have a positive impact on the Company's future. I was particularly interested in the completion of the Fukuchiyama Factory No. 2 and the R&D Center at the Sanda Factory, and their associated investments. To meet the anticipated recovery in semiconductor demand, I believe it is essential to strengthen both production capacity and developmental capabilities (such as productivity improvements and technological innovation) while addressing related challenges.

I make a point of giving practical, executable advice based on my experience, and in these matters, I felt that my words were taken in, judging from the reaction of the executive team.

As the Company pursues further growth in line with the One2025 plan, I will continue to offer constructive input to ensure that the large-scale investments made in fiscal 2023 contribute to an early improvement in profitability, keeping in mind the expansion of overseas operations, while seeking ways to deal with potential obstacles.

Outside Director
(Audit & Supervisory
Committee member)
**Kazumitsu
Takaya**



Further expansion of sustainable operations through DX

One key issue for the company is implementing sustainability-oriented leadership in the bid to achieve sustainable growth and improve corporate value over the medium to long term.

I recall clearly from board meeting discussions in fiscal 2023 how the Medium-Term Management Plan One2025, which launched during this fiscal year, gave a big boost to efforts along this orientation.

The plan incorporates ESG measures from the previous Medium-Term Management Plan (BTvision22), supplemented by investments in human capital and the implementation of a digital transformation (DX) initiative.

I think the emphasis on DX should be commended, as it had not been a significant topic of discussion in previous years. Highlighting it as a key theme is a step in the right direction.

More than merely computerizing operations, the Company is discussing how to leverage data and digital technologies to adapt to rapid changes in the business environment. The aim is to transform not only products, services, and business models based on the needs of customers and society but also to reshape operations, the organizational structure, processes, and corporate culture to establish a competitive advantage.

With my qualification as a Certified Information Systems Auditor (CISA), I hope to bring my experience and knowledge to these discussions.

Outside Director
(Audit & Supervisory
Committee member)
**Kyoko
Kobayashi**



Straightforward expression of outside perspectives healthy for management

The Company is focusing on expanding beyond its founding roots and core business to develop new businesses. During the Board meetings in fiscal 2023, we discussed several investment proposals. I believe that one of the Board's key responsibilities is to examine the risks associated with these investments, evaluate risk mitigation measures, and determine whether the importance of the investment outweighs the potential risks.

Each proposal is already subjected to thorough internal analysis. During Board meetings, the outside directors ask questions and the executives explain matters; this provides an opportunity to examine investments from an outside perspective. As a lawyer, I have seen many kinds of problems and failures in business. From a risk management standpoint, I always take into account pessimistic scenarios, examining and discussing them from various angles to ensure that the Company avoids such outcomes.

Outside directors are not constrained by their position within the Company. When I identify an issue or think the Company needs to take action on something, I express my opinion honestly to the executives and will continue to do so in the future.

In addition, in fiscal 2023 I attended a candid roundtable discussion with female employees, where I learned directly about their current situation. To ensure an encouraging environment for female employees to thrive, I will share their views at Board meetings.

Stakeholder Engagement

The PILLAR GROUP will respond swiftly to changes in the business climate and bring about market and social development through our ability to see beyond the changes and take bold action.

And as a good corporate citizen, we are committed to contributing to the development of local communities and continuing to provide products that make our customers happy.

Therefore, we will strive to maintain and develop sound relationships with our stakeholders through open and fair communication with society at all times.



Efforts at Stakeholder Engagements

Stakeholders	Main responsibilities	Primary opportunities for dialogue	Related website
Customers	High quality Safety Fair prices Innovation Aftersales service	<ul style="list-style-type: none"> Customer request cards Customer satisfaction survey Disclosure of information on our website Inquiry form on our website 	Product information
Business partners	Fair and transparent transactions CSR procurement	<ul style="list-style-type: none"> Procurement policy briefing CSR Procurement Guidelines CSR procurement questionnaire 	Purchasing information
Employees	Respecting human rights Diversity Safe and comfortable work environment Health management	<ul style="list-style-type: none"> In-house magazine, intranet Interviews Whistleblower hotline Stress checks Engagement survey Rank-specific training Health and Safety Committee Labor-management talks 	Social and human resources initiatives P50 – P53
Shareholders/ Investors	Corporate value enhancement Appropriate stock price Timely and appropriate supply of information Shareholder returns	<ul style="list-style-type: none"> General meeting of shareholders Financial results briefing One-on-one, small meetings Briefings for individual investors Shareholder newsletters and integrated reports Supply of information through IR information pages Supply of information to ESG evaluation organizations 	IR information
Local communities	Respect for local culture and customs Consideration for the local environment Improvement of the educational environment Creation of employment	<ul style="list-style-type: none"> Social contribution activities Career education Internships Factory tours 	P54
Global environment	Global environmental conservation	<ul style="list-style-type: none"> Development of energy-saving and carbon-neutral products Environmental considerations at the manufacturing stage Compliance with environmental laws and regulations Environmental education 	Environmental initiatives P55 – P60

Society

Human Capital (HR Strategy)

Basic Personnel Policy—Our Organizational and Human Resources Ideal Based on a Long-Term Management Vision

The Group has contributed to the creation of a sustainable and prosperous society. Human resources are indispensable to achieving such a society. Therefore, we have positioned human resources as our most critical management capital, and have defined our Human Resources Vision as follows. This defines the

organizational culture and human resources ideal to be achieved by 2030. The personnel department believes that its long-term and most important mission is to stand between management and employees and implement various measures so that this desired image becomes the ideal image for employees.

Human Resources Vision Linked to Management Strategy—Efforts to Achieve the Ideal State of People and Organizations

The Organizational Culture We Aspire for

- An organization that can continue to devise ways to make a broader contribution to society through business from a global perspective, and with the spirit of the Company's founding as its starting point.
- An organization that discards the notion of separate optimization and allows free, vigorous, and creative discussion, always with the goal of total optimization in mind
- An organization that actively promotes diversity and accepts a variety of ideas and perspectives
- An organization that can innovate (transform) to surpass competitors with its diversity of thought and challenging spirit
- An organization that provides highly motivated individuals with opportunities to grow both personally and professionally
- An organization that values team harmony, while recognizing those who demonstrate advanced abilities and produce results

The Human Talent We Seek

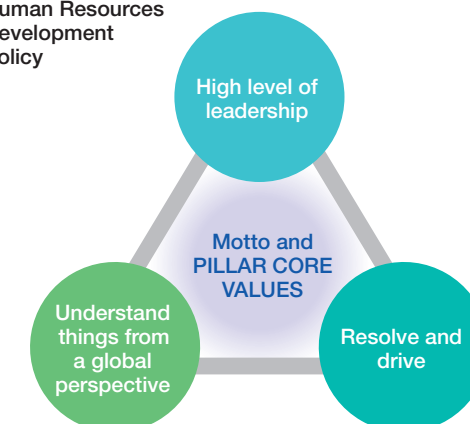
- People who can face up to difficulties and challenges independently and accomplish things with integrity, with our Motto and PILLAR CORE VALUES as action guidelines
- People who can identify their own department's and their own role in achieving high goals, and who can elevate the entire team's sense of involvement, awareness of problems, and sense of urgency
- People who have high aspirations and dreams through their work
- People who have strong curiosity about everything and continue to grow and take up new challenges, not being bound by the past
- People who can always look ahead, identify issues that need to be done right away, demonstrate leadership, and lead the team to its goal (problem-solving)

Human Resources Development Policy/Internal Environment Development Policy

Our human resources development policy is to develop human resources who have a proper understanding of our Motto and PILLAR CORE VALUES, who understand things from a global perspective, and who can demonstrate a high level of leadership, resolve, and drive. Moreover, we have established

an internal environmental development policy and are carrying out individual measures to create a workplace environment in which human resources with diverse experience and knowledge can play an active role while exercising their individuality, and work both at ease and in good health.

Human Resources Development Policy



Internal Environment Development Policy



Unlocking Capabilities of Diverse Human Resources and Pursuing Sustainable Organizational Growth

Human Resources Strategy in the Medium-Term Management Plan, One2025

Under the Medium-Term Management Plan, it is essential that we improve the linkage between management strategy and human resources strategy in order to attain further growth. In other words, to accomplish our management targets, it is extremely important that we achieve our priorities in the area of human resources, such as securing diverse human resources, developing professional human resources, and fostering a culture of transformation, and to improve the organizational and human resources capabilities of the entire Group. To ensure that these human resources policies function properly, we will constantly monitor the linkage between the management strategy and the human resources strategy and reflect this in our human resources policies. By doing so, we aim to become the number one company in human resources development, as stated in the basic philosophy of the Medium-Term Management Plan, and we will further accelerate our investment in human capital, so that human resources—our most important management capital—can autonomously take on new challenges and feel fulfilled and comfortable in their work.

Securing Diverse Human Resources

In fiscal 2023, we accomplished three major projects, making TANKEN SEAL SEIKO CO., LTD. a Group company and completing construction of both the Fukuchiyama Factory No. 2 and the R&D Center at the Sanda Factory. Along with other measures, we are working to rapidly expand our overseas business by opening new bases as part of the Medium-Term Management Plan. In addition to this rapid expansion of the Company's scale, measures to secure human resources are extremely important for meeting our strategy of creating new businesses, which includes launching next-generation batteries, hydrogen, thermal storage, and other products. We will also more actively recruit diverse human resources, including those from different industries.

Professional Human Resources Development

In order to strengthen the Group structure, we must promote the improvement of management and leadership skills in the entire Group and the professional skills of each individual, which requires implementing management and leadership education for each generation. In addition, we will improve the quality of our human resources and organizational capabilities with training programs for enhancing specialized skills, and by visualizing the skills of all employees through the use of digital tools, for example, talent management systems.

To strengthen our global competitiveness, the requirements for global human resources have been defined as people who leverage their excellent language and communication skills in response to other cultures, and who can also generate results while managing local organizations and personnel. In this way, we are advancing human resources development. Specifically, along with training expatriate staff and management to improve their management skills, going forward, we will increase opportunities for personnel rotations with overseas bases, and coordinate with existing localization measures for promoting

Diverse human resources to support sustainable organizational growth	STRATEGY	KPIs	ACTION		OUTPUT	OUTCOME
	Human Resources Strategy		Progress of KPIs			
			FY2022	FY2023		
Diverse human resources to support sustainable organizational growth	Implementing measures to secure diverse human resources	Percentage of new hires that are women (nonconsolidated)	25%	22%	Diversity	30% or more
	Improvement of leadership and management skills	Amount invested in human resources development per person (nonconsolidated)	79,000 yen per person annually	71,000 yen per person annually	Professional human resources	95,000 yen per person (20% increase compared to FY2022 result)
	Talent management	Number of global human resources (all corporations)*	77	73	Global human resources	93 (20% increase compared to FY2022 result)
	Increased engagement	Secondary health checkup rate (nonconsolidated)	50%	63.6%	Cultural transformation	80% or more
		Engagement score (nonconsolidated)	64%	61%		65%
Diversity, Equity & Inclusion (DE&I)	Ratio of female managers (nonconsolidated)	3.0%	3.3%	5% or more		
	Percentage of male employees taking childcare leave (nonconsolidated)	22.7%	42.9%	75% or more		

*Number of global human resources = Number of human resources with management experience at overseas bases (number of human resources with experience at overseas bases primarily through personnel rotation + number of human resources promoted to management from national staff)

executives and management from national staff to local subsidiaries, thereby strengthening our global human resources system.

Fostering a Culture of Transformation

The culture of transformation that is our goal involves an organizational culture in which every employee autonomously takes on challenges and leads transformation. Going forward, we will continue with measures that encourage such a culture, for example, the work reform project. So that employees can independently take on challenges, we are proposing the creation of a safe and secure work environment, retaining an awareness of well-being (a state in which individuals are physically, psychologically, and socially fulfilled), and promoting measures for health management and work-life balance (for example, by reducing overtime). Alongside such improvements to the work environment, we will detect employee strengths and sources of motivation, identify personnel and organizational issues, and study and implement measures for improving engagement.

In order to deliver a new approach that leads to transformation, it is necessary for a diversity of human resources (those with differing experiences, skills, values, and ways of thinking) to be accepting of each other, and for us to foster an organization and a work environment which

have a feeling of unity. For example, mid-career hires account for more than 40% of our management positions, and we have a culture that accepts others and fosters change. By continuing to promote Diversity, Equity & Inclusion (DE&I), the securing of human resources, and other

measures, we will foster a culture of transformation.

Creating a future that supports society

- CLEAN**
Achieving a clean global environment
- SAFETY**
Contributing to a safe and secure society
- FRONTIER**
Expanding into new fields that develop the leading edge of the industry

TOPIC

Roundtable Discussions with the President



The President with members from the Yokohama Branch Office

We cannot achieve our goals unless messages from management and their true intentions are correctly conveyed to employees. It became more difficult for messages from management to reach employees during the COVID-19 pandemic and the expansion of the organization, and as a way of addressing that situation, the President himself has been on site, holding roundtable discussions in small groups.

In fiscal 2023, these discussions were undertaken in 28 sections across the country, and in some cases, the resulting lively exchange of ideas led to the introduction of new systems. In a subsequent questionnaire, 95% of respondents said that they had a good understanding of management policy, which is a significant improvement on the figure of 75% prior to the discussions.

In the future, we will continue to aim for new value creation as "One Team."

Establishment of the Group Human Rights Policy

Based on the concept that unprecedented new ideas are created by a diversity of values, we will respect the diversity of our human resources and create new value for a sustainable society. In this context, we established the Group Human Rights Policy in order to clearly define our approach to human rights when conducting business in countries and regions around the world. For this to permeate throughout the Company, in fiscal 2023, we conducted human rights awareness training with invited experts and e-learning programs. Through the

concerted efforts of all Group executives and employees to promote respect for human rights, we will actively fulfill our responsibility to respect human rights for all.

For more information, including the full text of the Group Human Rights Policy, please visit our website.

<https://www.pillar.co.jp/en/sustainability/human-right/>



Diversity, Equity & Inclusion (DE&I)

We are committed to promoting diversity based on the belief that new and unprecedented ideas are created by a diverse workforce. We will continue to respect diversity and aim for sustainable corporate growth by creating more opportunities for women than ever before, developing new products that take advantage of ideas generated by different values through the active promotion of foreign-national human resources, and developing internal systems that allow people with disabilities to play an active role.

In fiscal 2023, the percentage of female managers was 3.3%; we aim to increase this to 5% by fiscal 2025 and to 10% by fiscal 2030,

thereby creating opportunities for women to play an even more active role in the Company. To support male participation in childcare, we are also working on measures to encourage male employees to take childcare leave, and in fiscal 2023, 42.9% of those male employees who were entitled to do so took childcare leave. We will continue to promote awareness of the system through e-learning and other means to foster a workplace environment that is supportive of childcare.

For more information on our diversity management policy, please visit our website.

<https://www.pillar.co.jp/en/sustainability/diversity/>



“Excellent Corporations for Health and Productivity Management 2024” Certification

We have formulated a Health Management Declaration in order to achieve organizational revitalization and sustainable corporate value enhancement through the safe and healthy work of a diverse range of human resources. With the aim of raising health awareness among employees and their families and encouraging them to work in good mental and physical health, we have enhanced measures such as the establishment of a health management promotion system, mental health care, secondary health checkups, and a work-life balance. The Ministry of Economy, Trade and Industry and the Japan Health Council jointly implements a certification system for corporations with excellent health and productivity management, and in recognition of these efforts, we were certified as an Excellent Corporation for Health and



Productivity Management 2024 in the large corporation category as a “corporation that takes a strategic approach to employee health management from a business perspective.”

In addition, we continue to implement hazard prediction activities and have the President visit each factory to inspect the site. Each factory also publishes Health and Safety News to raise employee awareness of safety. Moreover, Health and Safety Committee members conduct on-site inspections to assess hazard levels in the workplace. Priority is given to workplaces with high hazard levels in order to analyze the causes of possible hazards and implement effective hazard source control measures, thereby preventing occupational accidents from occurring or recurring.

Occupational Health and Safety

We believe that the health and safety of our employees is an unparalleled value. To ensure a safe and comfortable work environment, we have committed to eliminating occupational accidents in our Group Code of Conduct and to complying with all applicable laws and regulations as well as internal rules such as the Health and Safety Management Regulations and Various Work Procedures.

The Health and Safety Committee was established to ensure employee safety and promote the maintenance of health. The Committee formulates annual policies and activity plans related to health and safety, and meets monthly.

Promoting CSR Procurement

In order to continue fair and transparent transactions with our suppliers and to carry out our purchasing activities, we have established our “Procurement Policy” and are striving to realize fair business activities.

In consideration of the expansion of ESG-related investments and global procurement, supply chain management is an important issue both for companies and our stakeholders, and the issues that surround it include the environment, human rights, quality, business practices, and disaster response. In order to appropriately address these issues, we have established and are implementing the PILLAR CSR Procurement Guidelines, a group procurement policy that outlines our CSR Procurement Standard. We recognize that social issues such as conflict minerals and violations of fundamental human rights pose serious problems in our supply chain, and we do not purchase any mineral or textile raw materials of concern.

We are also implementing supplier engagement measures to ensure smooth procurement activities. At the start of each fiscal year, we hold procurement policy briefing sessions for suppliers, among other topics providing information on the initiatives of each business, production overviews, and future production plans. In addition to existing content,

Purchasing information (PILLAR Basic Procurement Policy)

<https://www.pillar.co.jp/en/about/purchasing/>



as part of supplier engagement for achieving carbon neutrality, in fiscal 2024 we have explained the Company’s response to climate change and our initiatives relating to Scopes 1, 2, and 3.

Moreover, we conduct an annual questionnaire on CSR procurement to understand the status of our suppliers’ CSR activity systems, compliance with laws and regulations, human rights, and environmental conservation. In fiscal 2023, 109 major suppliers representing approximately 95% of our transaction value responded to this questionnaire, making for a 100% response rate. We visited and assisted with improvements at suppliers for whom improvement was judged as being necessary based on the important items in the fiscal 2022 questionnaire.

Going forward, we will continue to promote CSR procurement with the cooperation of suppliers.

PILLAR CSR Procurement Guidelines

<https://media.nippon-pillar.com/assets/pdf/b3bbbd1904a7e29d1e7bdc095d5507d076b459a.pdf>



Social Contribution Activities

We are fully aware that the Company is a part of society, and we actively engage in interactions with local communities and sponsorship of traditional culture and the arts.



Sponsorship of the 35th Sanda International Masters Marathon (picture courtesy of Sanda City)



Support for Paralymp Art, a general incorporated association for promoting independence of persons with disabilities



Sponsorship of the 31st Fukuchiyama Marathon (picture courtesy of Fukuchiyama City)



Donation of clothing, used postage stamps, etc. for deprived communities

Environmental Initiatives

Environmental Policy

Basic Policy

Recognizing that environmental issues are a challenge common to all humankind, the PILLAR GROUP is aware of its social responsibility as a corporation, and as a good corporate citizen, we are actively working to preserve the global environment. We will also contribute to the development of local communities, aiming for the sustainable development of society and the Company.

(1) Compliance with laws and regulations

In addition to complying with domestic and international environmental laws and regulations, we pledge to establish and adhere to our own voluntary standards that take into account the needs of society.

(2) Development of products that contribute to environmental protection

As a manufacturer of fluid control equipment, we develop technologies and products that contribute not only to improved performance but also to the emergence of a society committed to sustainability through environmental protection initiatives.

(3) Controlling environmental pollution in our business operations

We strive to prevent pollution and protect the environment by reducing the amount of waste generated, recycling the waste generated, reducing the use of environmentally hazardous substances, while complying with pollution control regulations intended to protect the environment.

(4) Improvement of environmental management system

Recognizing the environmental impact of our business operations, we strive to continuously improve our environmental management system.

(5) Collaboration and cooperation with stakeholders

We expand our environmental conservation activities and meet the expectations of society, in collaboration and cooperation with stakeholders.

Structure for Promoting Environmental Conservation Measures

Our Sanda Factory obtained ISO 14001 certification in September 1999, and our Fukuchiyama Factory was also certified in September 2002, and we have been promoting an ongoing environmental improvement program. In terms of environmental management, we have established an environmental management system headed by the executive officer in charge of the environment, and the Decarbonization and Global Environment Committee oversees the management system, and through an Environmental Management Committee established at both sites, we are working to reduce the environmental impact of our business activities and develop environmental contribution products. These initiatives are reported to the ESG/SDGs Promotion Committee to enhance the effectiveness of each committee, and management reviews are conducted at the Management Meeting and meetings of other bodies to ensure continuous improvement.

Additionally, in order to respond to situations in which environmental risks could significantly affect lives, property, and the living environment, we regularly conduct emergency response drills, organized by the Disaster Prevention and Pollution Prevention Subcommittee.

Every year, we conduct large-scale earthquake evacuation drills for all employees at our head office, Sanda Factory, Fukuchiyama Factory, and other factories. We have also introduced a safety confirmation system as a means of communicating between employees and the Company in the event of a large-scale earthquake or other wide-area disaster. We will continue to review and improve our business continuity plan (BCP) through periodic drills.



Environmental Audit

We have undergone an external ISO 14001:2015 audit to verify that the environmental management system is operating properly and that continuous improvements are being implemented. No non-conformities were noted in the audit results for fiscal 2023, and we were recognized for receiving the highest possible ESG/SDGs assessment, considering

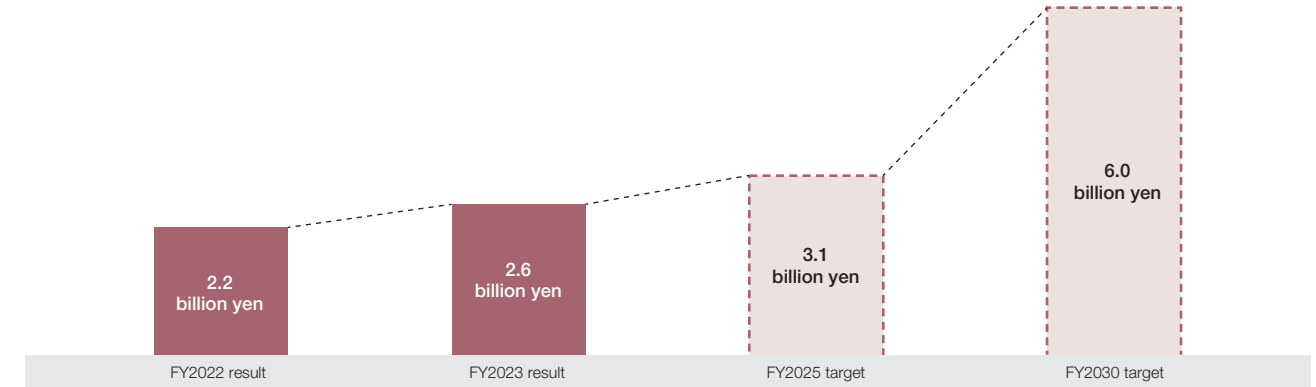
substitute resin raw materials, and developing products that lead to energy saving by customers. In addition, the Sanda Factory and Fukuchiyama Factory conduct internal environmental audits every year for all departments to confirm their environmental initiatives and to continuously improve their environmental management systems.

Development of Environmental Contribution Products




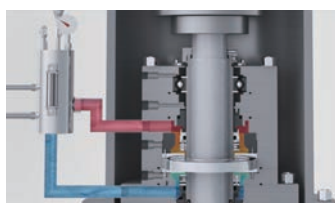
Based on our mission of contributing to the safety and security of people's lives and the environment by controlling all kinds of fluids, we are contributing to the creation of a decarbonized society by controlling the flow of greenhouse gases and a wide range of energy resources. To meet the needs for energy

conservation and the utilization of clean energy in the world, we are selecting products that contribute to those needs, and with the sales of such products as an indicator, we aim to expand our sales scope.

Sales of Environmental Contribution Products



Examples of Environmental Contribution Products

Product	Characteristics
 <p>Sweep Elbow</p>	<p>Circulation product</p> <ul style="list-style-type: none"> This elbow fitting with a round flow path employs the sealing structure of our S300-type fitting, which is trusted and has a proven track record. The round flow path reduces pipe resistance, thereby contributing to environmentally friendly equipment design. For example, the Sweep Elbow fitting with an 8 mm inner diameter reduces pressure loss by approximately 60% (actual PILLAR measurement values) compared with our existing products.
 <p>EDP[®] Packing</p>	<p>Gland packing</p> <ul style="list-style-type: none"> This product achieves high airtightness due to its packing structure and lubricant for preventing liquid penetration. It contributes to the environment by conforming to requirements for compatibility with global standard values such as ISO 15848-1 (international standard) and API 622 (industry standard). <p>*EDP = Emission Defense Packing</p>
 <p>Gas seal</p>	<p>Mechanical seal</p> <ul style="list-style-type: none"> Normally, sliding surfaces are sealed through direct contact, whereas this mechanical seal has a structure that enables sealing in a state in which the sliding surfaces are raised in micron-level increments. The seal sliding surfaces are noncontact, so they also grant an energy-saving effect through low power consumption. Furthermore, this product has a long operating life due to there being little damage to the seal end surface, and contributes to the environment by not utilizing liquid sealants or buffers.
 <p>PSCC</p>	<p>Mechanical seal</p> <ul style="list-style-type: none"> Until recently, in the operation of mechanical seals for agitators, the supply of liquid sealant or lubricant (sealant circulating and cooling) was undertaken using an auxiliary circulation device (pressure unit). However, PILLAR has developed this unique, new-concept system, which circulates sealant via an internal pumping function. By eliminating the need for a pressure unit, this contributes to energy saving and resource conservation, for example, with a 14 metric ton reduction in annual CO₂ emissions and a 70% reduction in the space required for installation (PILLAR estimates). <p>*PSCC = PILLAR Sealant Circulating & Cooling System</p>

Information Disclosure Based on the TCFD Recommendations



As the role of companies in mitigating and adapting to climate change becomes increasingly important, and as demand for decarbonization and carbon neutrality increases in the marketplace, we intend to further increase our contribution to the decarbonization of markets and society through our

technologies and products. Based on this recognition and conviction, we are disclosing our systems, initiatives, etc. based on the TCFD recommendations regarding the impact of climate change-related risks and opportunities on our business, strategy, and finances.

Related website

<https://www.pillar.co.jp/en/sustainability/tcfd/>



Governance and Risk Management

Basic policies and important matters related to climate change are discussed and decided by the ESG/SDGs Promotion Committee. The details are reported to the Board of Directors on a regular basis, and a governance system is in place to ensure appropriate oversight by the Board of Directors.

For more information on other governance structures and risk management, please visit our website.

Strategy

We identified climate-change risks and opportunities, and evaluated their degree of the impact, timing of occurrence and realization, and likelihood of occurrence and realization of climate-change risks and opportunities under each scenario, based on ① a 1.5–2°C temperature-rise worldview in which decarbonization progresses and ② a 3–4°C temperature-rise worldview in which global warming progresses.

- Risks and opportunities expected to be significant in the following scenarios
 - 1.5–2°C scenario
 - 3–4°C scenario
- Time horizon (timing of occurrence/realization)
 - Short term: within 3 years, Medium term: over 3 years to 10 years, Long term: over 10 years

	Risk	Time horizon	Risk reduction
Policies/Regulations	Carbon pricing based on the Company's own GHG emissions	Medium term	Reduce GHG emissions by promoting energy conservation and energy creation initiatives
Markets	Decrease in demand for fluid control equipment in the power and energy markets due to the shift away from fossil fuels	Medium to long term	Keep a close eye on the trends of energy shift and EV shift, and strategically respond to them
	Decrease in demand for fluid control equipment for vehicles with internal combustion engines	Short to medium term	
Technology	Intensify competition in the development of technologies and products for a decarbonized society	Medium term	Accelerate R&D of technologies and products that reduce environmental impact, such as energy saving, resource saving, and space saving
Weather, climate and environmental changes	Flooding in and around the Company's main locations	Short term	Promote disaster prevention measures at high-risk sites, strengthen coordination among sites, and review and strengthen BCPs
		Long term	

	Opportunity	Time horizon	Opportunity capture measures
Markets	Increase in demand for semiconductor-related products due to digital transformation (DX) and other developments aimed at increasing the efficiency of socioeconomic activities	Short term	Keep a close eye on technological innovations and market trends in the information, communication, and control markets, and launching new products in a timely manner
	Increase in demand for fluid control equipment in the clean energy market, including hydrogen, ammonia, and biomass fuels	Medium to long term	Identify needs and promoting market development in the clean energy fluid handling market
	Increase in demand for semiconductor-related products due to the increase in solar power generation and the spread of distributed power sources	Short term	Stably supply semiconductor and LCD related products for the electric power market based on the expansion of the renewable energy market and the transition to a distributed energy society
Technology	Increase in demand for semiconductor-related products due to the increase in onboard semiconductors and devices for EVs and self-driving cars	Short term	Identify needs and promote market development associated with the shift to mobility
	Increase in demand for fluid control equipment that contributes to CO ₂ transport/transfer and fluid control	Medium term	Accelerate research and development of CCUS up to the commercial stage and participate in demonstration tests, etc.
Weather, climate and environmental changes	Increase in demand for drainage equipment and pump-related products	Short term	Expand businesses that solve societal issues
	Increase in demand for products related to seawater desalination and purification	Long term	

Scenario Analysis

Among the climate risks and opportunities that were identified, we used the World Energy Outlook 2022—which was issued by the International Energy Agency (IEA)—and various other parameters to conduct scenario analysis of ① the impact of the shift to EVs on products for the automotive market and ② the impact of the shift to clean energy on products for the petroleum refining and chemical markets, while also taking into account their impact on future business for the Company (financial impact, etc.) and their relevance to business strategy.

The results of this analysis enabled us to recognize that the shift to EV and clean energy has a significant impact on the Company's products. However, we also came to understand that actively promoting our response to climate change can lessen this impact and lead to generating and expanding sales opportunities in new markets.

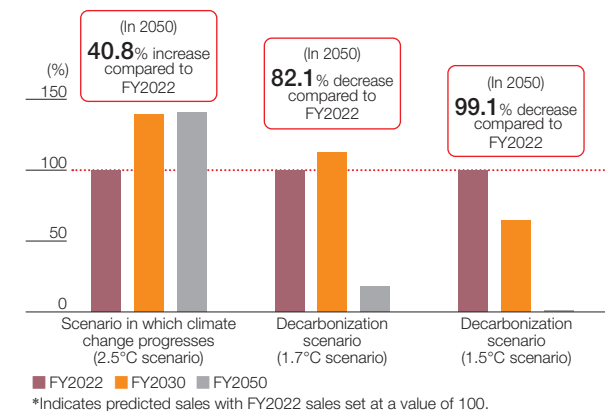
In response to the anticipated risks and opportunities, we are developing new products and improving the performance of existing ones. By also strengthening our relationships with business partners, we are making the Company more resilient to climate change.

Impact of the EV Shift on Products for the Automotive Market

The Company sells a wide range of products for the automotive market, and alongside the transition toward vehicles that are not fitted with internal combustion engines—for example, EVs—there is expected to be a fall in the demand for exhaust system parts. In order to gain an understanding of the impact of this EV shift, we analyzed future sales of our exhaust system parts for automobiles.

Assessment Results

● Predicted sales values for automobile exhaust system parts with each scenario



- In a scenario in which climate change progresses and the number of hybrid vehicles, etc. increases, sales increase by more than 40% by 2050.
- In a decarbonization scenario in which the number of EVs, etc. increases, sales decrease by more than 80% by 2050.
- Exhaust system parts are expected to be significantly impacted by this transition.

Response Strategy

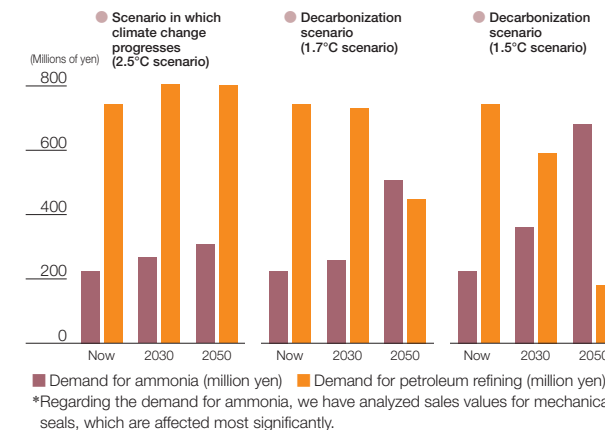
Even with decarbonization scenarios, by 2030, sales increase in the 1.7°C scenario and in the 1.5°C scenario, the impact is forecast to be limited to a reduction of 30%. In the period of time until the EV shift has progressed significantly, we will seek to expand the scope of sales of existing exhaust system products by further improving their performance and making them more lightweight. We will also develop markets by developing and launching new products for EVs.

Impact of the Shift to Clean Energy on Products for the Petroleum Refining and Chemical Markets

In the decarbonization scenario, the future global demand for petroleum may fall significantly. In response to this, we are focusing on the clean energy market, and bearing in mind the coming decline of the petroleum refining market and expansion of the ammonia market, we have analyzed the impact on our industrial equipment-related products.

Assessment Results

● Expected impact of the shift to clean energy on sales of products for the petroleum refining and chemical markets with each scenario



- Demand for petroleum refining declines significantly in the decarbonization scenario.
- In ammonia-related markets, demand for production increases whatever the scenario.
- Expansion of ammonia-related markets results in greater demand for the Company's products.

Response Strategy

Although the petroleum refining market is in decline due to the impact of decarbonization, there have been a succession of plans to construct refineries for sustainable aviation fuel (SAF), which is attracting attention as an alternative fuel. By leveraging our track record of adoption at demonstration plants, going forward, we will actively generate sales opportunities from new construction projects.

In the ammonia market, we already have an extensive track record of supplying to plants that produce ammonia for fertilizer. Increasing demand for ammonia for new applications (electricity generation, marine fuels, etc.) in the future will generate an even greater increase in sales opportunities for the Company, so we will continue to improve performance even further and to build relationships with business partners, with the aim of improving our resilience.

Indicators and Targets

Greenhouse gas	Sales of products that help create a decarbonized society	In-house carbon pricing
CO₂ Emission Reduction Targets (Consolidated/Scope 1+2) (compared to FY2013)	Sales Targets for FY2030	Introduced an internal carbon price system and operated it as one of the investment indices related to energy conservation and energy creation, etc. 9,200 yen/t-CO₂ (as of October 2021)
FY2025 Reduced by 25% FY2030 Reduced by 50% FY2050 Virtually zero	Energy-saving products Approx. 4 billion yen Carbon neutral products Approx. 2 billion yen	

Decarbonization and Energy Saving

Initiatives for Reducing CO₂ Emissions (Scopes 1 + 2)

FY2023 result: 14,861 metric tons (+3,962 metric tons compared to previous FY)
FY2025 target: 25% reduction compared to FY2013

We have been implementing carbon neutrality measures at all business sites, for example, energy-saving activities, improving rates of renewable energy use through the full-scale operation of solar power generation for internal use, and increasing procurement amounts for CO₂-free electric power. As well as the scope of calculation changing with the acquisition of TANKEN SEAL SEIKO

CO., LTD. by the Group, CO₂ emissions have increased due to the increase in emissions factors by electric utility.

In fiscal 2024, in line with the ongoing procurement of CO₂-free electric power, we began the full-scale operation of solar power generation for internal use at three new locations. As such, we are anticipating increased rates of renewable energy use.



PILLAR Precision Corporation



NP Kogyo Corporation

Scope 3 Calculation

FY2023 business location result: 149,077 metric tons (+64,491 metric tons compared to previous FY)

In addition to the scope of calculation changing with the acquisition of TANKEN SEAL SEIKO by the Group, CO₂ emissions have increased due to the impact of consumable-related (Category 1) associated with the newly constructed Fukuchiyama Factory No. 2 and R&D Center at the Sanda Factory, and of the recording of fixed assets (Category 2).

Because Category 1 accounts for over 60% of Scope 3 as a whole, by conducting annual questionnaires and procurement policy briefings with suppliers, we will actively seek engagement, for example, by sharing the Company's ideas and the status of its initiatives, and consulting with a view to the collection of preliminary data.

Response to CDP

In fiscal 2023, we disclosed information via the CDP questionnaire and improved our rating in relation to climate change compared to the previous fiscal year, receiving a B (management level).

Among other things, we believe this was due to our initiatives for Scope 3, for which we began new calculation, and for conducting and providing a clear explanation of our analysis of

climate-related risks.

Going forward, we will continue to enhance our climate change initiatives and strengthen their disclosure, while providing new answers regarding water security as it relates to the conservation of water resources, and improving the disclosure of environment-related information.

Circular Economy and Resource Conservation

Product Repair

We contribute to the circular economy by providing aftersales service even after the delivery of our products. Mechanical seals used in the industrial equipment-related market and bellows pumps employed in the electronic equipment-related

market can be used just like new products by repairing or replacing only key parts. By repairing products and allowing customers to use them longer, we contribute to the effective use of resources.

Waste Reduction and Recycling

In addition to reducing the amount of general and industrial waste generated in our business operations, we are working to promote recycling through ongoing communication with vendors. In fiscal 2023, our efforts to promote the recycling of resins,

scrap pallets, and corrugated cardboard resulted in a recycling rate of 71.7%. We will continue to promote waste reduction and recycling initiatives to make effective use of limited resources.

Compliance with Measures for Laws, Regulations, and Other Obligations

We always obtain the most up-to-date information to ensure we comply with environmental laws, agreed values of municipalities, etc., clearly setting out all compliance requirements in the "Environmental laws, regulations, and other requirements list." We also conduct

regular surveillance and measurement to ensure scheduled reporting and recordkeeping to prevent violations of laws and regulations and contamination of the local environment, as well as to improve matters of concern and to maintain and preserve the environment.

Prevention of Chemical Pollution and Conservation of Water Resources

Water Consumption Reduction Activities

We are working to reduce our water consumption in response to the growing risk of water shortages worldwide. In fiscal 2023, our volume of water withdrawal decreased by 3.3% from the previous fiscal year to 118,000 m³, thanks to our promotion of water conservation and recycling activities.

In fiscal 2024, although we have set a reduction target of 4,000 m³ from water conservation work, because of changes to the way we clean products, we are expecting an increase in water use of approximately 39,000 m³ in place of fewer substances being subject to the Pollutant Release and Transfer Register (PRTR) Act.

Response to Toxic Substances (PRTR Law)

Under the provisions of the Pollutant Release and Transfer Register (PRTR), which requires companies to manage specified chemical substances that have an environmental impact, we notify the competent authorities every year regarding these substances. We also have an ongoing program

of considering switching to non-specified alternatives and cutting usage, emission, and transfer of specified substances. In our Medium-Term Management Plan One2025, we have set the goal of completely eliminating the use of the three substances.

Substances Subject to Notification under the PRTR Law (nonconsolidated)

(kg)

Name of substance	Control number	FY2019			FY2020			FY2021			FY2022			FY2023		
		Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer	Amount used	Atmospheric emissions	Waste transfer
Xylene*1	80	1,801	11	56	1,432	7	12	983	5	17	1,211	6	18	1,212	12	2
Chromium and trivalent chromium compounds	87	3,630	11	2,500	2,650	0	1,700	2,895	0	2,001	3,583	0	2,388	3,152	0	2,205
Dichloromethane (Methylene chloride)	186	34,800	30,800	4,000	57,700	53,000	4,700	109,100	104,000	5,100	114,200	109,200	5,000	82,175	78,340	3,835
Trimethylbenzene*1	691	2,050	11	40	1,651	8	13	1,002	5	19	1,598	8	23	2,220	22	3
Others*2	580 585	-	-	-	-	-	-	-	-	-	-	-	-	4,676	1	168

* Listed here are substances for which the amount used is 1,000 kg or more annually.

* Substances subject to notification have been added to the report from FY2024, and we have submitted notification regarding two of these new substances.

*1 Kerosene fuel consumed by combustion is not included in the amounts of emissions and transfer.

*2 Other substance names are as follows.

580: Alpha-alkyl-omega-hydroxypoly(oxyethylene) (Limited to substances with alkyl group carbon numbers of 9 through 11 and mixtures thereof, and substances with a number-average molecular weight of less than 1,000)

585: Alpha-(isocyanatobenzyl)-omega-(isocyanatophenyl)poly(isocyanatophenyl)methylene

Biodiversity Conservation

We see the conservation of biodiversity as one of our materialities, and we are always considerate of biodiversity conservation and the natural environment.

In fiscal 2023, PILLAR Corporation sponsored "Sanda Sakura Monogatari" ("Sanda Cherry Blossom Story"), which is an initiative

with which Sanda City works to conserve cherry blossom trees that line the Muko River and *yamazakura* (Japanese mountain cherry trees) that grow wild in the surrounding mountains and forests. We also undertake regular cleaning work around all our business locations and contribute to environmental conservation in local communities.

Financial Summaries

(Millions of yen)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consolidated statement of income:											
Sales (consolidated)	20,720	21,675	22,960	27,225	29,461	30,963	29,213	30,200	40,670	48,702	58,605
Japan	17,565	17,647	19,156	22,416	23,124	23,904	21,427	21,975	28,254	33,537	41,538
Asia	2,095	2,862	2,565	3,172	4,528	4,345	5,316	5,721	7,410	8,225	10,197
Others	1,059	1,165	1,238	1,637	1,809	2,713	2,470	2,504	5,005	6,939	6,869
Overseas sales ratio (%)	15.2	18.6	16.6	17.7	21.5	22.8	26.7	27.2	30.5	31.1	29.1
Sales (nonconsolidated)	19,585	20,359	21,665	25,803	28,091	28,987	26,592	28,368	38,207	45,162	49,046
Operating income	2,908	3,226	3,469	5,166	5,161	5,126	3,683	4,847	11,392	13,842	14,206
Operating income margin (%)	14.0	14.9	15.1	19.0	17.5	16.6	12.6	16.1	28.0	28.4	24.2
Ordinary income	3,031	3,447	3,493	5,255	5,156	5,227	3,725	5,094	11,821	14,136	15,098
Profit before income taxes	3,031	3,124	3,595	4,609	5,014	5,456	3,653	4,837	11,822	14,587	15,024
Profit attributable to owners of parent	1,854	1,986	2,397	3,204	3,422	3,719	2,635	3,445	8,285	10,428	10,780
Cash flow from operating activities	3,429	2,957	3,074	3,220	3,752	5,035	4,064	5,676	11,950	6,058	5,640
Cash flow from investing activities	(927)	(1,378)	(3,230)	(2,363)	(3,244)	(3,902)	(2,950)	(3,705)	(1,551)	(573)	(16,197)
Cash flow from financing activities	(505)	(839)	(1,145)	813	(1,455)	(1,493)	(1,862)	(2,238)	(1,711)	(2,790)	5,323
Cash and cash equivalents	11,631	12,561	11,132	12,729	11,813	11,582	10,798	10,517	19,809	22,284	17,878
Capital expenditure	597	1,703	1,475	4,189	3,008	5,110	3,531	972	992	1,751	15,115
Depreciation	924	954	940	1,022	1,397	1,718	1,822	2,056	1,991	1,954	2,652
Consolidated statement of financial position:											
Total assets	38,986	41,466	42,164	49,347	51,539	52,972	53,190	54,949	64,991	72,492	98,835
Property, plant and equipment	11,254	11,510	13,901	15,493	18,107	20,266	21,971	20,669	20,272	21,124	34,384
Interest-bearing debt*1	1,231	855	539	2,147	1,609	1,082	693	254	350	1,350	12,125
Net assets	30,585	33,099	33,905	36,740	39,834	42,169	43,010	45,776	52,658	59,368	69,949
Per-share indicators:											
Profit (yen)	75	80	97	131	140	152	109	145	350	442	462
Net assets (yen)	1,236	1,338	1,387	1,503	1,629	1,725	1,781	1,937	2,227	2,548	3,001
Dividend (yen)	16.00	20.00	28.00	34.00	36.00	45.00	40.00	50.00	106.00	133.00	159.00
Management indicators:											
Equity ratio (%)	78.5	79.8	80.4	74.5	77.3	79.6	80.9	83.3	81.0	81.9	70.8
ROA (%)	5.0	4.9	5.7	7.0	6.8	7.1	5.0	6.4	13.8	15.2	12.6
ROE (%)	6.3	6.2	7.2	9.1	8.9	9.1	6.2	7.8	16.8	18.6	16.7
Payout ratio (%)	21.4	24.9	28.8	25.9	25.7	29.6	36.8	34.6	30.3	30.0	34.4

*1 Excluding lease obligations

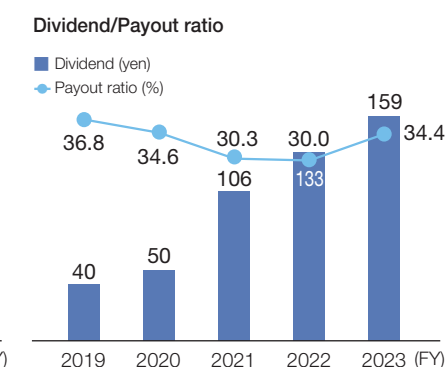
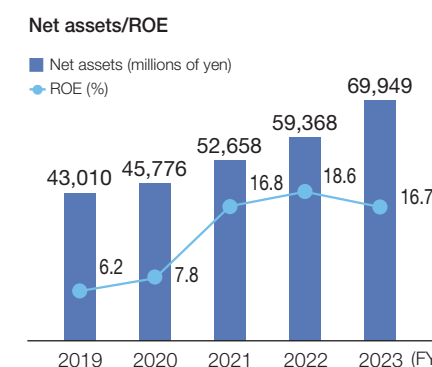
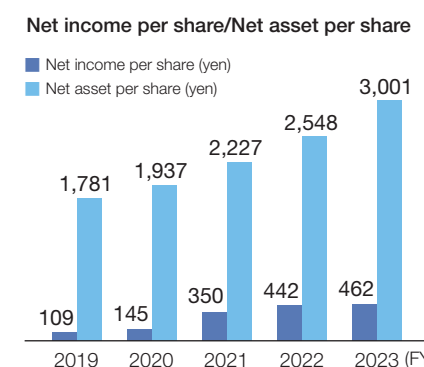
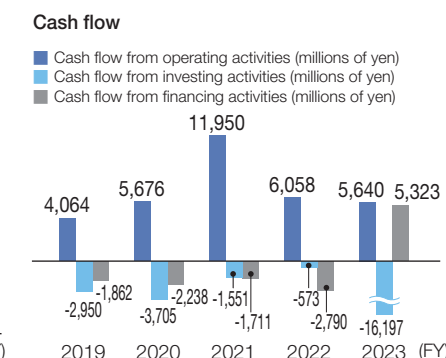
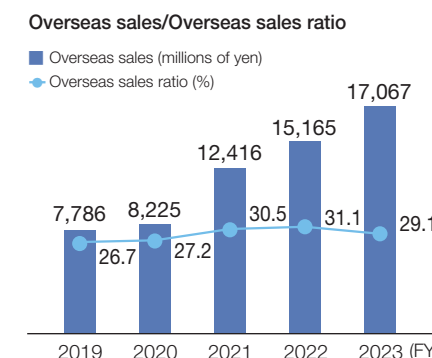
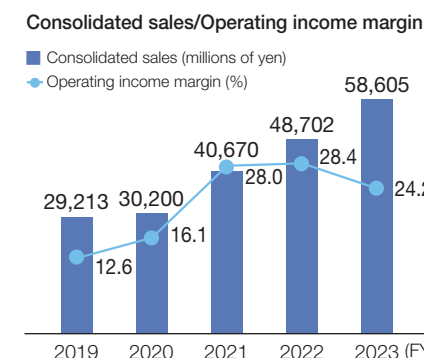
Financial and Non-Financial Summaries

Non-Financial Summaries

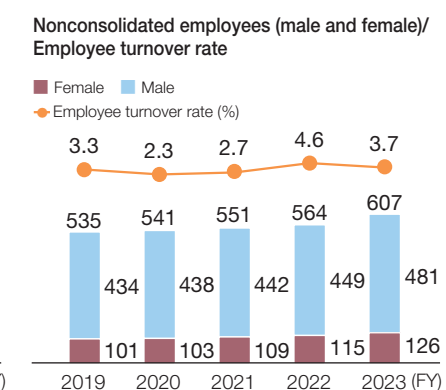
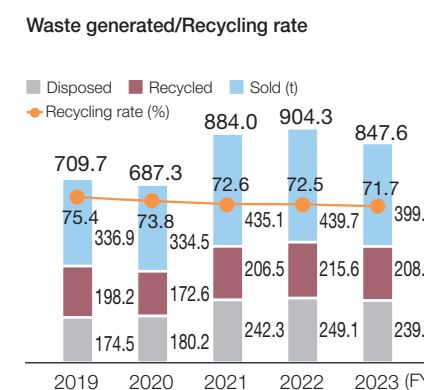
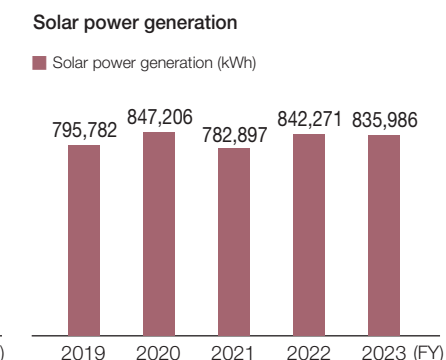
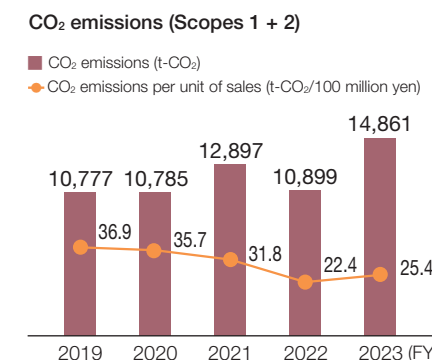
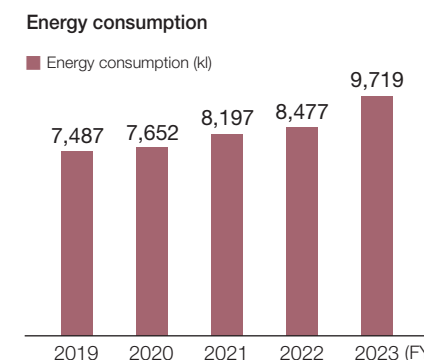
	2018	2019	2020	2021	2022	2023
CO ₂ emissions (Scopes 1+2) (t-CO ₂)* ¹	12,644	10,777	10,785	12,897	10,899	14,861
CO ₂ emissions (Scope 1) (t-CO ₂)* ¹	917	932	818	807	910	815
CO ₂ emissions (Scope 2) (t-CO ₂)* ¹	11,726	9,845	9,967	12,090	9,989	14,046
CO ₂ emissions per unit of sales (t-CO ₂ /100 million yen)* ¹	40.9	36.9	35.7	31.8	22.4	25.4
(Reference) CO ₂ emissions of nonconsolidated subsidiaries (Scope 1+2)	10	8	21	34	139	136
CO ₂ emissions (Scope 3) (t-CO ₂)	—	—	—	68,424	84,586	149,077
Total energy consumption (kl)* ^{1,2}	7,322	7,487	7,652	8,197	8,478	9,719
Of which, electricity (kl)* ^{1,2}	6,969	7,138	7,340	7,877	8,103	9,400
Of which, gas (kl)* ^{1,2}	138	137	146	137	140	81
Of which, fuel (kl)* ^{1,2}	215	212	166	183	235	238
Energy emissions per unit of sales (kl/100 million yen)* ^{1,2}	23.7	25.6	25.3	20.2	17.4	16.6
Solar power generation (kWh)	851,256	795,782	847,206	782,897	842,271	835,986
Water intake (thousand m ³)	132	144	140	117	122	118
Waste generated (t)	778.4	709.7	687.3	884.0	904.3	847.6
Volume sold (t)	403.7	336.9	334.5	435.1	439.7	399.3
Volume recycled (t)	195.4	198.2	172.6	206.5	215.6	208.3
Volume disposed (t)	179.4	174.5	180.2	242.3	249.1	239.9
Recycling rate (%)	77.0	75.4	73.8	72.6	72.5	71.7
Full-time employees (consolidated basis)	797	809	759	832	867	1,132
Temporary employees including contract and part-time workers (consolidated basis)	170	167	175	178	171	196
Full-time employees (nonconsolidated basis)	531	535	541	551	564	607
Male employees (nonconsolidated basis)	429	434	438	442	449	481
Female employees (nonconsolidated basis)	102	101	103	109	115	126
Overseas employees	120	132	87	127	136	156
Average age (years)	39.2	39.6	39.6	40.2	40.6	40.6
Male (years)	39.5	39.8	39.8	40.4	40.8	41.1
Female (years)	38.0	38.9	39.2	39.5	39.7	39.0
Average length of service (years)	15.1	15.4	15.3	15.6	15.2	14.5
Male (years)	15.2	15.4	15.2	15.7	15.3	14.6
Female (years)	15.1	15.3	15.7	15.5	15.0	13.9
Ratio of female managers (nonconsolidated basis) (%)	0.0	1.6	2.5	2.2	3.0	3.3
Ratio of employees with disabilities (%)	1.40	1.40	1.78	1.69	2.54	2.59
Ratio of foreign national employees (%)	0.6	0.4	0.4	0.4	0.8	0.9
Paid annual leave usage rate (%)	75.7	70.5	60.3	65.0	72.5	66.6
Childcare leave usage rate among female employees (%)	83.3	100	100	100	100	100.0
Childcare leave usage rate among male employees (%)	4.3	0.0	13.6	0.0	22.7	42.9
Number of new graduates hired (nonconsolidated basis) (full-time employees)	17	18	22	18	13	19
Ratio of women (%)	29.4	5.6	18.2	27.8	15.4	31.6
Number of mid-career hires (nonconsolidated basis) (full-time employees)	14	8	13	10	40	50
Ratio of women (%)	21.4	25.0	15.4	50.0	27.5	18.0
Consolidated employee turnover rate (%)* ³	4.0	3.9	2.4	3.3	5.2	3.3
Nonconsolidated employee turnover rate (%)* ³	4.3	3.3	2.3	2.7	4.6	3.7
Investment in human resources development per employee (nonconsolidated basis) (thousand yen)	—	53	37	64	79	71
Number of lost time injuries	0	0	0	0	2	1
Number of non-lost time injuries	4	7	7	3	3	3

*1 The calculation method was revised for fiscal 2022. TANKEN SEAL SEIKO CO., LTD. has been added from FY2023. Scope: Parent company and domestic and overseas consolidated companies; Period: April-March. However, PILLAR Kyusyu Corporation and NP Sangyo Corporation are included in the scope of calculation because they are closely related to the main business. Emission factors: List of Calculation Methods and Emission Factors in the Calculation, Reporting, and Publication System by the Ministry of the Environment, Emission Factors by Electric Utility by the Ministry of the Environment, and CO₂ Emissions From Fuel_2013 by the IEA
*2 Crude oil equivalent *3 Full-time employees only; excluding those reaching mandatory retirement age

Financial Indicators



Non-Financial Indicators



Waste for recycling includes scrap metal, fluorocarbon polymers scrap, waste oils, liquids, plastics, and paper
Recycling rate = (Recycled volume + Volume sold) / Total volume of waste generated × 100

Employees include only full-time employees
Employee turnover rate excludes those reaching mandatory retirement age

Employees include only full-time employees
Employee turnover rate excludes those reaching mandatory retirement age

ISO Certification and IATF Certification

Under its quality-first approach, the Group has obtained both ISO 9001 and IATF certification.

ISO Certification

In 1995, the Group became the first domestic seal manufacturer to obtain ISO 9001 certification for its quality management system. The current certifying body is the Japan Quality Assurance Organization, while accreditation is provided by JAB (in Japan) and UKAS (the UK). (The head office and the Sanda and Fukuchiyama Factories have obtained ISO 9001 certification.)



IATF Certification

In 2019, products for automotive use produced at the following factory have obtained IATF 16949 certification, an international quality management system standard for the automobile industry. IATF 16949 was developed by Western automobile manufacturers and automobile industry-related organizations to prevent defects, reduce inconsistency and waste in the supply chain, and bring about continuous improvement by standardizing requirements for parts manufacturers. Based on ISO 9001, this quality management system incorporates a large number of unique requirements.



Registered site: PILLAR Corporation Sanda Factory
 Scope of certification: Design and manufacturing of gaskets, packing, exhaust system molded products, and fluorocarbon resin substrate

Non-Use of Asbestos

Our products do not use asbestos.

ESG-Related External Assessments

We have been assessed by an externally based ESG evaluation organization and have been selected as a member of the ESG Index.



FTSE Blossom Japan Sector Relative Index

Won the Plunkett Award

Our Pilaflon™ products, Super type fitting gained global recognition and the Company has won the DuPont Plunkett Award three times.



Awarded "B" CDP Score

We also disclosed information through the CDP questionnaire in fiscal 2023 and received a B score (climate change).



Participated in International Exhibitions



Valve World Expo
 We exhibit our products at the Valve World Expo, a global trade fair for valve products and technologies.

SEMICON Japan

SEMICON Japan is a general exhibition for worldwide semiconductor-related industries. We publicize our products and also take the opportunity to gather the latest information.



Company Information

Company Profile (As of July 1, 2024)

Company name	PILLAR Corporation
Head Office address	7-1, Shinmachi 1-chome, Nishi-ku, Osaka 550-0013, Japan
Establishment	1924
Representative	President Yoshinobu Iwanami
Capital	¥4,966 million
Listed stock exchange	Tokyo Stock Exchange Prime Market
Number of employees	1,132 (consolidated, as of March 31, 2024)
Main products	Pilaflon™ products (fluorocarbon polymers products), mechanical seal products, gland packings and gasket products
URL	https://www.pillar.co.jp/en/

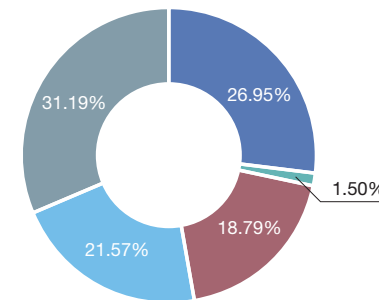
Status of Shares (As of March 31, 2024)

Total number of shares authorized to be issued	80,000,000 shares
Total number of shares issued	25,042,406 shares
Number of shareholders	13,942 shareholders

Major Shareholders

Name	Number of shares held (1,000)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,487	10.67
Custody Bank of Japan, Ltd. (Trust account)	1,306	5.61
PILLAR Corporation Client Stock Ownership	1,222	5.25
Rockwave	1,020	4.38
Kiyohisa Iwanami	746	3.20
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	700	3.00
Sumitomo Mitsui Banking Corporation	692	2.97
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	592	2.54
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	560	2.40
RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	422	1.81

Distribution of Shares by Shareholder



Classification	Number of shares held (single share)	Percentage of shares held (%)
Financial institutions	67,362	26.95
Financial instruments firms	3,742	1.50
Other corporations	46,950	18.79
Foreign corporations, etc.	53,906	21.57
Individuals and others	77,946	31.19

*1,733,852 shares of treasury stock, 17,338 units of which are included in "Individuals and others" and 52 shares of which are included in "Status of odd-lot shares." All of the 1,733,852 shares of treasury stock are actually held by the Company.

*1 The Company holds 1,733,852 shares of treasury stock, but is excluded from the above list of major shareholders.
 *2 Shareholding ratio is calculated excluding treasury stock.
 *3 Number of shares held is rounded down to the nearest thousand shares.

Stock Price Trend

