

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.



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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.

Technology

Strong technologies of both companies can be integrated to develop new products.

Production and procurement

Product cost competitiveness can be pursued by procuring materials within the Group or collectively from the outside.

PILLAR Corporation

SYNERGY

TANKEN SEAL SEIKO CO., LTD.

Management system

System integration can improve management efficiency and reduce operating costs.

Sales

Sales promotion opportunities can be expanded by mutually complementing the markets that each company excels at.