



Integrated Report  
2023

# Creating a Future That Supports Society Creating New Value towards a Sustainable Society

Nippon Pillar Packing will create unique value based on the principles of CLEAN, SAFETY, and FRONTIER, and will strive for new possibilities.



## Achieving a clean global environment

Controlling fluids helps to conserve energy and resources, leading to a clean global environment. Nippon Pillar Packing contributes to this endeavor by using its technology to control fluids for semiconductor and LCD manufacturing equipment and for major industrial equipment.



## Contributing to a safe and secure society

Safety takes precedence over everything else when it comes to improving the quality of work and keeping our workforce energized. Controlling fluids helps to control flammable, toxic, and other harmful fluids in a consistent, regular, and precise manner. Nippon Pillar Packing contributes to a safe and secure society with our fluid control technologies.



## Expanding into new fields that develop the leading edge of the industry

Since our founding, Nippon Pillar Packing has produced original, high-quality products through research and development always one step ahead of our competitors. Nippon Pillar Packing will continue to take up the challenge of pioneering cutting-edge fluid control technologies and new fields of business.

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Integrated Report 2023 covers fiscal 2022 (April 2022 to March 2023). Some information postdating April 2023 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, 2022 through March 31, 2023  
Note: Also includes some information outside of the reporting period.

Reporting scope: Nippon Pillar Packing Co., Ltd. and its Group companies





**As a manufacturer of fluid leak prevention and control equipment, we are contributing to the emergence of a society committed to sustainability.**

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

Working quickly to respond to changes in our business environment, we aim to contribute to creating a resource-efficient, safe and clean global environment, while also complying with legal and social norms and engaging in fair, sound business practices, acting as a good corporate citizen to contribute to the development of richer communities.

Looking ahead to the upcoming 100th anniversary of our founding, we will remain committed to delivering products that offer greater contentment and contribute to the emergence of a society committed to sustainability in the spirit of our corporate principles: "Quality First, Cooperation and Harmony, Steady Research."

Chairman & CEO

Corporate Principles

**Quality First / Cooperation and Harmony / Steady Research**

Management Philosophy

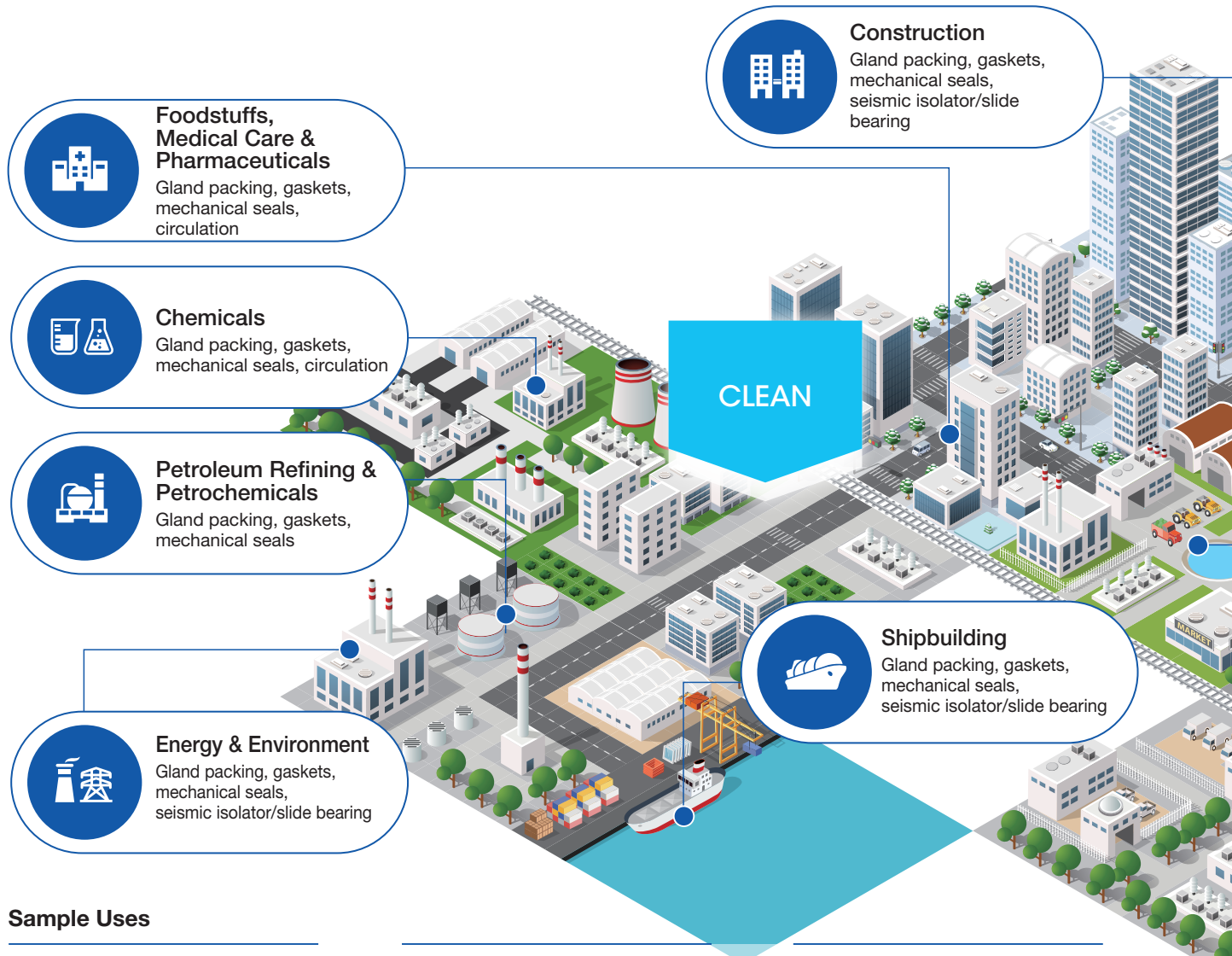
- 1 To contribute to the creation of a world that is pleasant to live in, with an affluent social climate.
- 2 To offer original, high-quality products, and strive to be a company that is essential to customers.
- 3 To comply with legal and social norms, and engage in proper, sound business practices.

# 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.

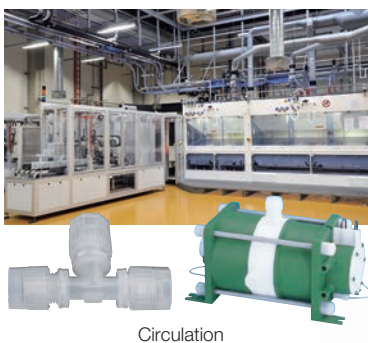
Our products are used in facilities that are essential to the functioning of daily life.

Moreover, they contribute to environmental preservation, resource conservation, and the protection of lives and property.

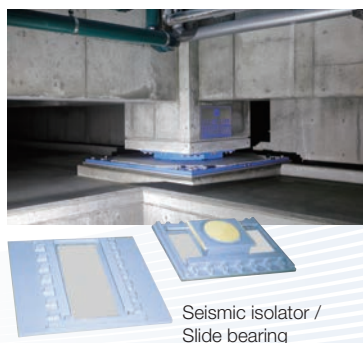


## Sample Uses

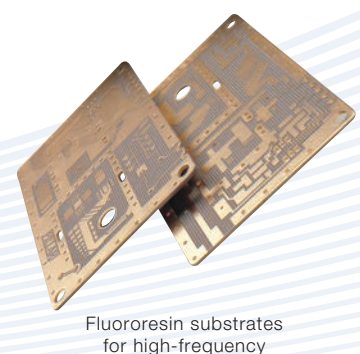
Semiconductor cleaning equipment



Structure fitted with seismic isolators



Fluoresin substrates for high-frequency



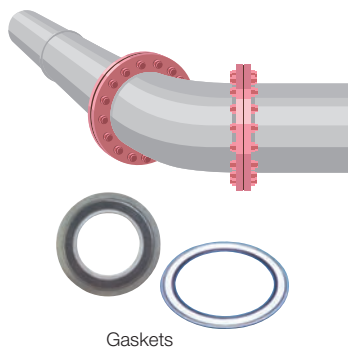


### Sample Uses

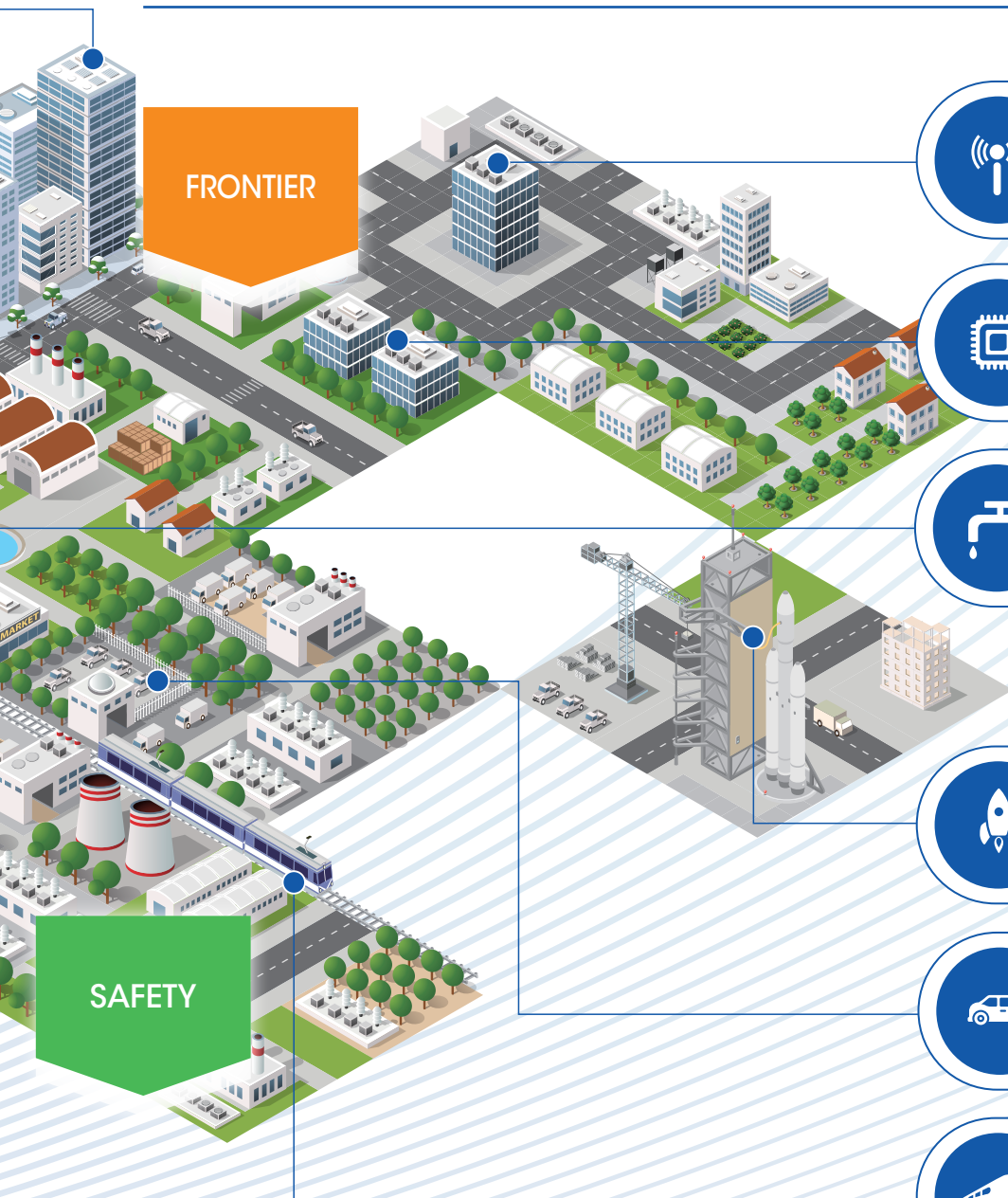
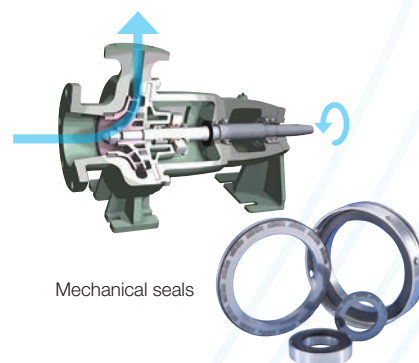
#### Valves




#### Pipes




#### Pumps





**5G Base Stations**  
Others




**Semiconductors**  
Gland packing, gaskets, mechanical seals, circulation



**Water & Sewage**  
Gland packing, gaskets, mechanical seals, seismic isolator/slide bearing



**Aerospace**  
Others



**Automotive**  
Gland packing, gaskets, circulation, others



**Railways**  
Seismic isolator/slide bearing

Note: Circulation means products for the clean market

# Meeting Current Needs by Developing Products That Create Value

For over 95 years since its founding, Nippon Pillar Packing has worked to serve the needs of growing industries by quickly utilizing new materials in order to commercialize new products and thereby contribute to the realization of a prosperous, sustainable society.

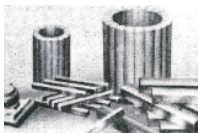
Going forward, we will continue to provide original, high-quality products and services while further improving of our fluid control technologies.

## 1920

### From our founding to the establishment of our production system

Main needs: Shipbuilding

Company founder Kaju Iwanami, who was trained as an engineer, succeeded in developing a highly wear-resistant cylindrical packing for use in ships. The history of the Company began in 1924 when Nippon Pillar Packing Industries started as a privately held company with a factory on the site of a former stable in what is now Nada-ku, Kobe. In 1926, the Company established a new factory in Yodogawa-ku, Osaka City, to undertake full-scale production of industrial-use sealing packings. In 1930, our pillar packing was registered as the company's first utility model patent, and in 1932 the Company began producing gaskets for automobiles and marine engines.



Patented Pillar Packing No. 1



Founder Kaju Iwanami

## 1940

### Technological breakthroughs

Main needs: Energy

In 1948, Nippon Pillar Packing Co., Ltd. was established and the Tokyo Branch Office (currently the Tokyo Branch) was opened. In 1951, the Company developed and started production of the first mechanical seal in Japan. The following year, it developed vertical gaskets for high-temperature, high-pressure pipe flanges and started production of fluororesin products.

The Sanda Factory, completed in 1967 in Sanda, Hyogo Prefecture, became the industry's first JIS-certified factory for spiral-wound gaskets for JIS B 2404 piping.

In 1970, the Company developed and started production of carbonized fiber.



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



Construction of the Sanda Factory in Sanda, Hyogo, Japan (1967)

## 1980

### Establishment of our brand and global expansion

Main needs: Automotive

In 1980, the head office building was constructed. Production of ISO series mechanical seals began the following year. In 1984, the Company's shares were listed as a specially designated share issue on the Second Section of the Osaka Securities Exchange. The Company developed a series of new products to meet emerging needs and, in quick succession, started production of fluororesin fittings and expanded graphite braided packing for semiconductor manufacturing equipment. In 1989, the Fukuchiyama Factory (currently the Fukuchiyama Office) was completed in Fukuchiyama, Kyoto Prefecture.

In 1995, the Company's shares were listed on the Second Section of the Osaka Securities Exchange. The Company acquired ISO certifications and is committed to establishing a brand that warrants the confidence of its customers.



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



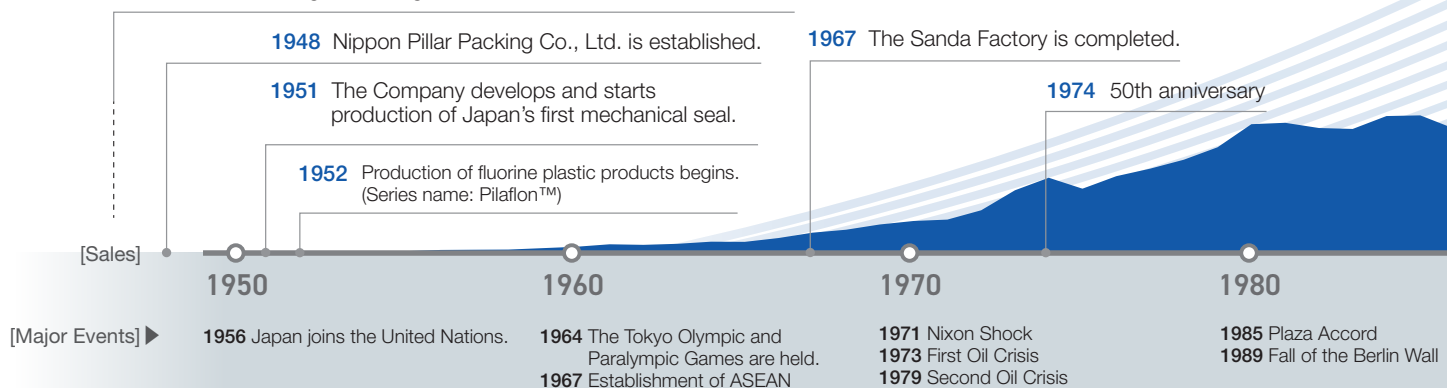
Construction of the Fukuchiyama Factory (currently Fukuchiyama Office) in Fukuchiyama, Kyoto Prefecture, Japan (1989)

**1924** Nippon Pillar Packing Industries is established.

**1926** Full-scale production of industrial leak prevention packings begins.

**1932** Production of gaskets begins.

**1989** The Fukuchiyama Factory (currently the Fukuchiyama Office) is completed.



## 2000

### Developing new businesses that lead to ongoing breakthroughs

Main needs: Semiconductors

In 2001, the Company's shares were listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange. 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 2004, the Kyushu Factory was completed in Koshi, Kumamoto Prefecture. In 2012, production of a novel type of rotary joint for the semiconductor industry began. In 2017, the head office was 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)



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

## 2020

### Identifying market changes with the goal of sustainable growth

Main needs: Decarbonization, renewable energy

Around 2000, the Company began establishing a series of offshore bases and expanding sales channels around the world. In preparation for the development of next-generation products and the expansion of the semiconductor market, the Company completed the construction of the new Sanda Factory in 2020.

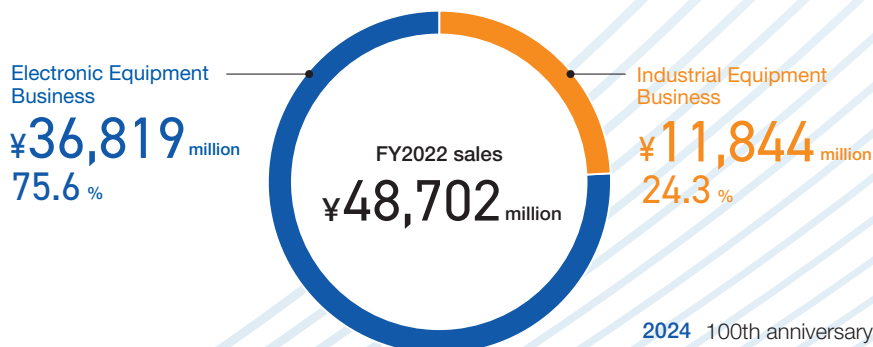
In 2022, when the Company's shares were moved from the First Section of the Tokyo Stock Exchange to the Prime Market, both sales and operating income reached record highs for the second consecutive year. The Company continues to transform its business and organizational structure with the aim of further enhancing corporate value. The Company remains focused on the development of new materials and technologies that will take the lead in the next generation.



Construction of the new Sanda Factory (2020)



Tanken Seal Seiko Co., Ltd. is acquired as a member of the Group. (2023)

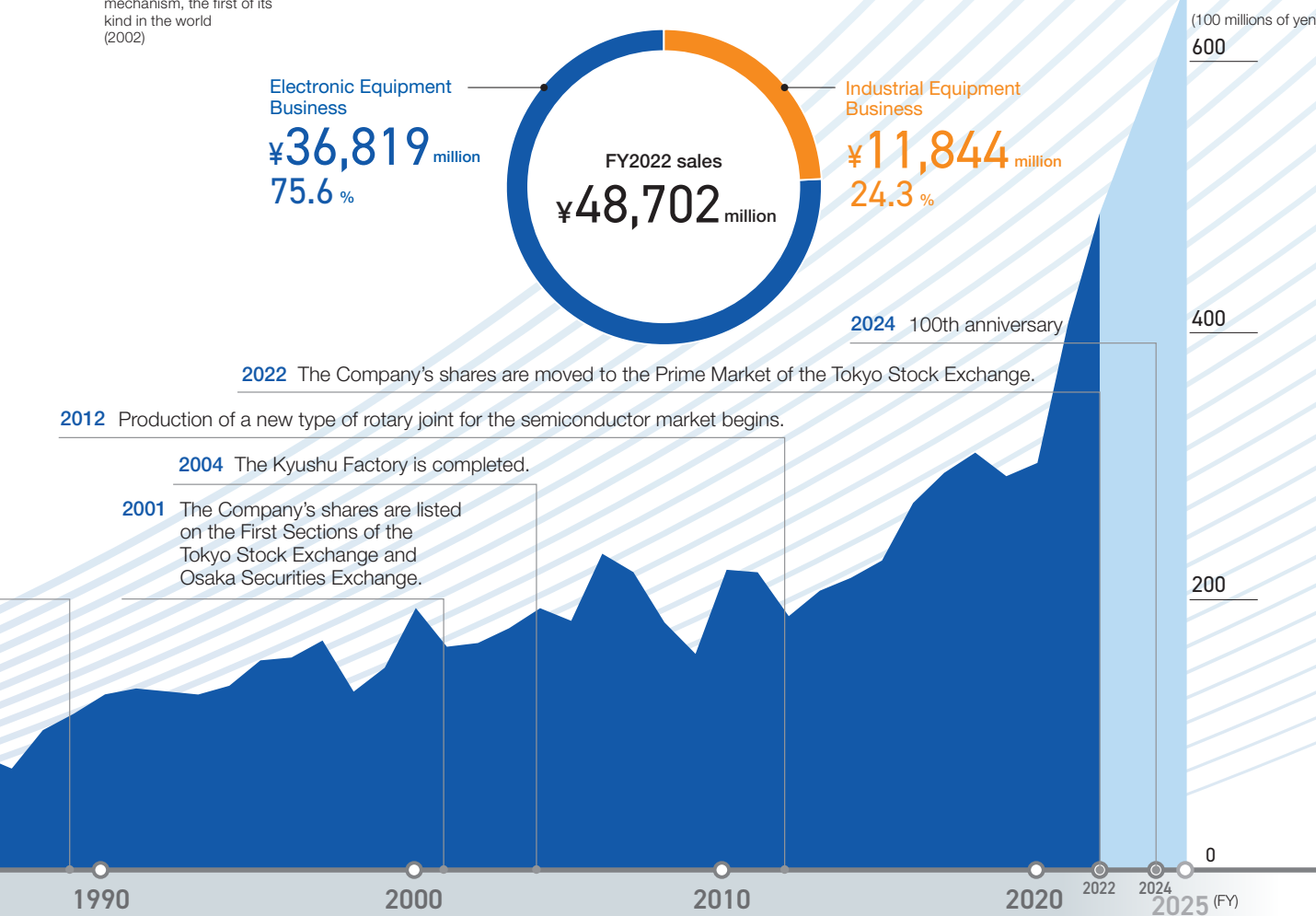


2022 The Company's shares are moved to the Prime Market of the Tokyo Stock Exchange.

2012 Production of a new type of rotary joint for the semiconductor market begins.

2004 The Kyushu Factory is completed.

2001 The Company's shares are listed on the First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange.



1991 Collapse of the Japanese economic bubble; Collapse of the Soviet Union  
1993 Establishment of the European Union  
1999 Creation of the Euro

2005 Kyoto Protocol comes into effect.  
2008 Lehman Shock

2011 Great East Japan Earthquake  
2016 Paris Agreement comes into effect.

2020 Brexit comes into effect.  
COVID-19 pandemic  
2021 The Tokyo Olympic and Paralympic Games are held.



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

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


President



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

sustainable growth as we maintain an indispensable presence in society.

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

\*1  "A Record of Growth"



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

### Management Philosophy

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

## A Review of Our Efforts in FY2022

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

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

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


The **Electronic Equipment Business**<sup>\*4</sup> performed well throughout the fiscal year with strong demand from the

\*2  P1

“Purpose”

\*3  P16

“Financial Highlights and Targets of the New Medium-Term Management Plan”

\*4  P23–24

“Electronic Equipment Business”

(Millions of yen)

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

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

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

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

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

## Thoughts on One2025, Begun in FY2023

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

We imbue the word “One” with four meanings:  
 Day One—recalling the pioneering spirit and sense of challenge and purpose on the first day of the Company's founding  
 Only One—pursuing a path unique to our group that no other company can imitate  
 Number One—aiming to be the best in developing both human resources and technology and contributing to society; and  
 One Team One Pillar—carrying out activities together as a group

\*5  P25–26

“Industrial Equipment Business”

\*6  P14

“Sales trend outside Japan”

\*7  P15–20

“New Medium-Term Management Plan “One2025”

With this medium-term management plan we have established **five basic policies to promote business innovation and organizational transformation**<sup>\*8</sup> to further enhance corporate value.

### 1. Evolve our core businesses

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

### 2. Strengthen our global competitive edge

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

### 3. Create new business foundations

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

### 4. Develop sustainable management

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

### 5. Financial strategies that support growth

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

## Efforts to Meet Our Medium-Term Management Plan Targets

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

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

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


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

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


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

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


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

\*8  P17

"One2025 Basic Policies (Company-wide)"

\*9  P29–30

"Manufacturing Capital Supports Growth"

\*10  P19–20

"Tanken Seal Seiko Co., Ltd. joining the Group will lead to further growth and development."

## Our Commitment to the Next 100 Years

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

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

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

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



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

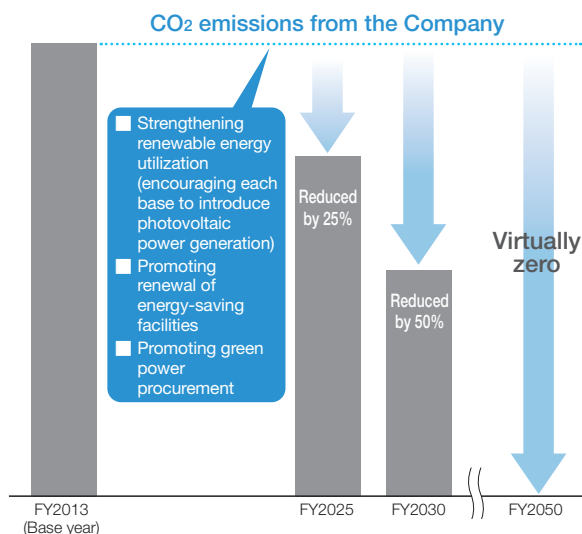
In the area of **human capital**<sup>\*14</sup>, we consider diversity to be vital to business growth, as we believe diverse outlooks among employees from a range of backgrounds give rise to innovation.

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

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

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

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



\*11 [P37](#)

"Executive Skills Matrix"

\*12 [P35-36](#)

"Special Feature: Message from the Outside Directors"

\*13 [P20](#)

"Nine Priority Targets Enhancing Our Environmental Protection Efforts"

[P50](#)

"Information Disclosure Based on the TCFD recommendations"

\*14 [P44-46](#)

"Human Capital (HR Strategy)"

\*15 [P42](#)

"Risk Management"

# The Value Creation Process of Nippon Pillar Packing

As stated in our Purpose, the Nippon Pillar Packing 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.





# One 2025

## Basic Policies (Company-wide Policies)

- 1 Evolvement of core businesses
- 2 Strengthening of global competitive edge
- 3 Creation of a new business foundation
- 4 Development of sustainable management
- 5 Financial strategies that support growth

### Output

## One2025

(Targets for FY2025 final year)

Sales  
**66.0** billion yen

Operating income  
**17.0** billion yen

ROE  
**10%** or higher

Payout ratio  
**30.0%** or higher

Capital expenditure  
**25.0** billion yen  
(Three-year cumulative)

For details see [P15](#) — [P16](#)

### Outcome

#### Value to society and the environment

- Safety and security in people's lives
- Reduction of environmental impact
- Rapid development of industrial products in the world
- Ensuring the safety and trust of employees and local communities
- Stable job creation
- Highly transparent management and straightforward explanations
- Increasing the sophistication of semiconductors to support the growth of the digital society
- Products and services indispensable for the supply of electricity, water, and other infrastructure

#### Value for Nippon Pillar Packing

- Providing distinctive products that contribute to solving social and environmental issues
- Development and manufacturing of products for new markets
- Providing value-added proposals to customers based on technological innovation and intellectual property strategies, etc.
- Realization of products with improved productivity and lower costs
- Stable return of profits to stakeholders
- Endeavoring to create advanced technology by integrating fluid control technology and IT/DX technology
- Providing customers with solution proposals and products through unique fluid control-related products
- Improvement of customer and market satisfaction and corporate strength

### Defensive Materialities

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

## 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

## Value Created by Nippon Pillar Packing

The Nippon Pillar Packing Group has identified certain strengths as a source of unique value. As we work to create value in the future, we will continue to develop these strengths further while providing our stakeholders with value that is unique to the Nippon Pillar Packing Group.

### The Purpose of the Nippon Pillar Packing Group

## Creating a future that supports society

#### Value to Society

- Protecting the environment
- Contributing to safety and security
- Supporting the development of industrial products and advanced industries as well as infrastructure

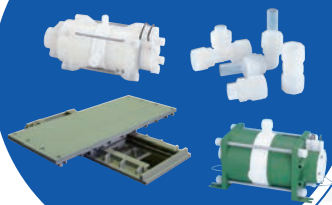


#### Value to Our Company

- Providing products that contribute to society and protect the environment
- Offering customer solutions while providing added value
- Meeting the challenge of entering new markets and dealing with advanced technologies

We are specialists in the high-tech sector, especially in the semiconductor, LCDs, and medical sectors. In particular, we offer fittings, pumps and other components made from fluororesin, which offer high chemical resistance, heat-resistance, and cleanliness. Because they are unaffected by various chemical solutions, these products are ideal for use in silicon wafer cleaning systems.

#### Electronic Equipment Business



#### Industrial Equipment Business



We handle mainly mechanical seal products that control fluids in rotating equipment such as centrifugal pumps that transfer fluids, gland packing products used as sealing materials for valve stem components, and gasket products used for mating pipes.

**Expanding the market as a comprehensive manufacturer of fluid control-related seals, we currently contribute to a wide range of fields by developing our sealing and material technologies.**

#### 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

### Our strengths are a unique source of value

#### 100 years refining fluid control technology

Our day-to-day focus on innovation as a means of responding to change lies at the root of our technological expertise as well as the quality-first philosophy we have nurtured throughout our nearly 100 years of existence. At Nippon Pillar Packing, our commitment to a tradition of innovation enables us to respond with agility to the ongoing changes affecting society.

#### Diversified markets according to the needs of the times

Our Company began by manufacturing packings for use in marine vessels. Over the years, we have succeeded in entering a wide range of markets as we respond to the emerging needs of advanced industries. Today, we support a wide range of industrial sectors including semiconductor and LCDs, chemicals, petroleum, steel, transportation, civil engineering and construction, and electric power and energy.

#### A comprehensive manufacturer with a diverse product line of fluid seals

As we have expanded our expertise in fluid control technology, we have grown into a comprehensive manufacturer of seals for use in fluid control products such as gland packings, gaskets, mechanical seals, and fluororesin products. We will continue to incorporate advanced technologies as we aim for ever greater heights.

Our Three Focal Points: Technology Differentiation, Capacity, and Brand Power

For details see **P9**

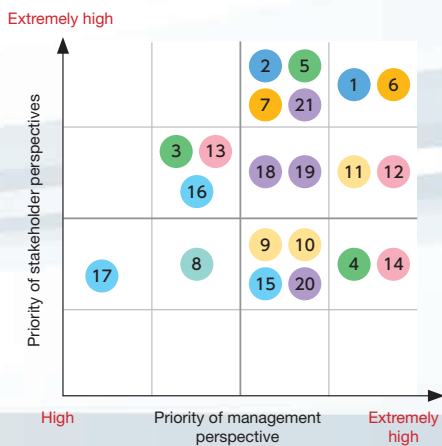
# Materiality

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

## The Nippon Pillar Packing Group's Material Issues

- 1 Development and manufacture of products through the use of fluid control technology and material technology, etc., to enable decarbonization and energy conservation
- 2 Expanding clean energy and energy savings in manufacturing
- 3 Development and manufacturing of sealing products using IT/DX technology and sustainable raw materials
- 4 Development and manufacture of resource-conserving products
- 5 Resource efficiency and sustainability through improved production technology (IT/DX, automation), etc. and 3Rs of waste
- 6 Development and manufacture of products that contribute to the prevention of chemical pollution and the conservation of water resources
- 7 Prevention of chemical pollution in manufacturing and conservation of water resources
- 8 Promoting biodiversity conservation at each site
- 9 Development and manufacture of products to cope with disasters such as earthquakes and floods
- 10 Development and 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 industry-government-academia collaboration
- 16 Promoting CSR procurement
- 17 Contribution to regional and community development
- 18 Ensuring board independence and transparency
- 19 Establishing a system for managing potential risks in business activities
- 20 Implementing our corporate principles and integrity
- 21 Corruption prevention

### Materiality matrix

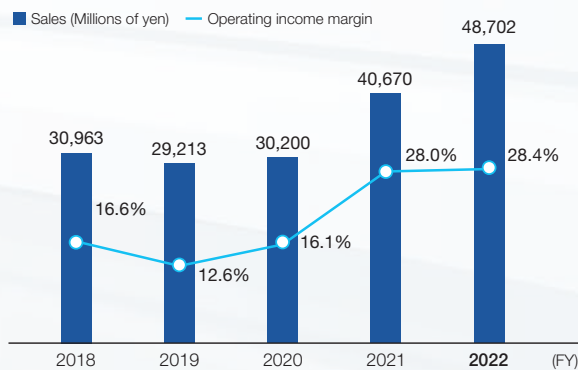


Please refer to our website for the positioning of material issues, the identification process, and related SDGs.

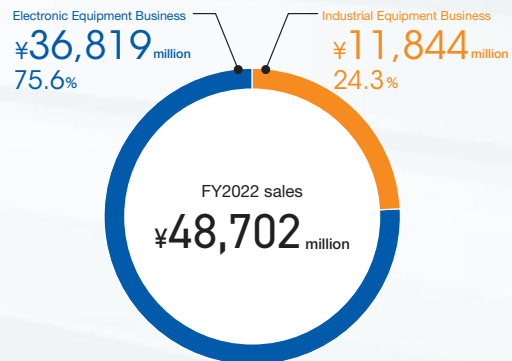
<https://www.pillar.co.jp/en/sustainability/materiality/>



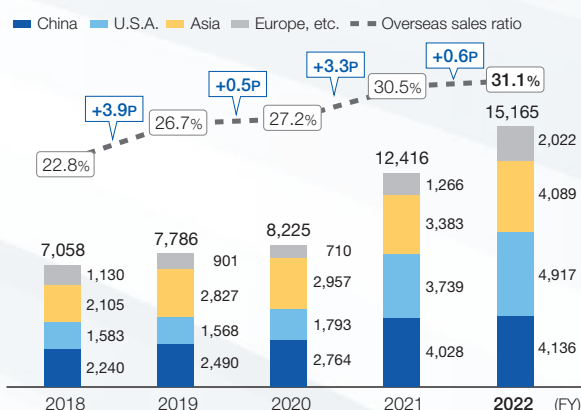
### Net sales and operating income margin



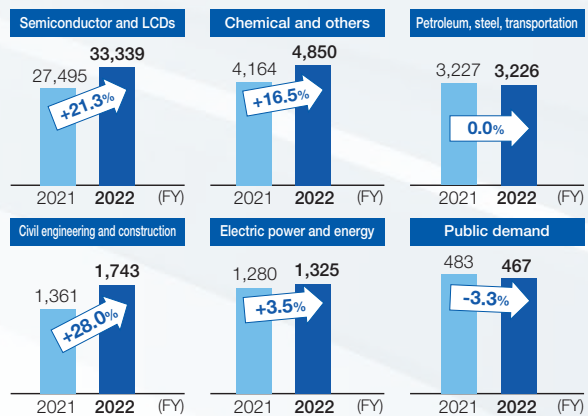
### Segment sales



### Sales trend outside Japan (Millions of yen)



### Sales by market (nonconsolidated) (Millions of yen)



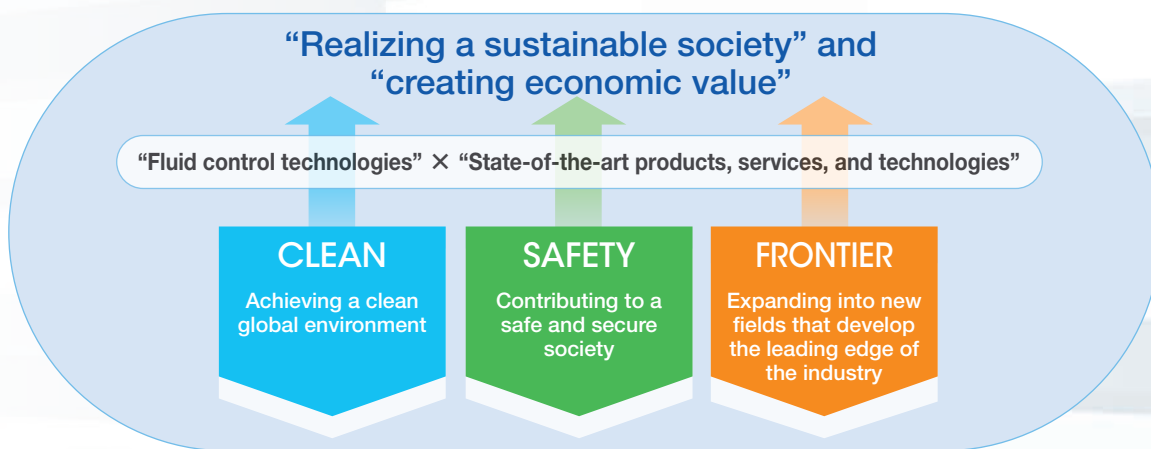
## New Medium-Term Management Plan “One2025”

In April 2023, we formulated “One2025 (One Two Zero Two Five),” our new medium-term management plan scheduled to conclude in fiscal 2025.

### Missions of Nippon Pillar Packing

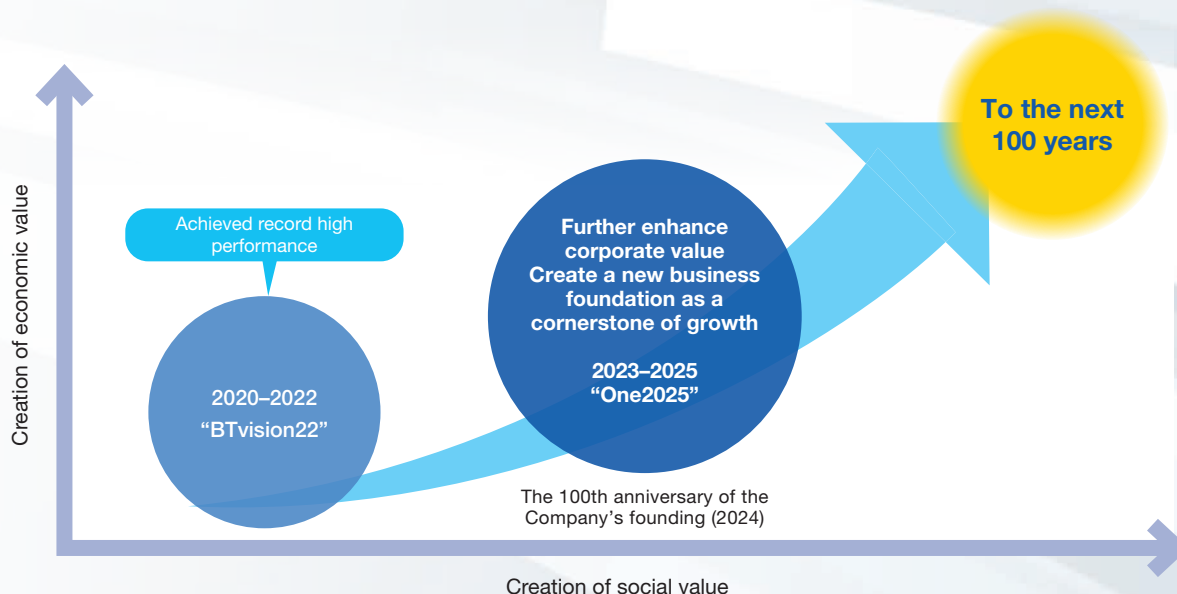
In keeping with our stated goal of supporting the future of society, our Group will continue to contribute to the emergence of a society committed to sustainability. At the same time, we will contribute to the creation of economic value with our unique fluid control technologies and cutting-edge products, technologies, and services focused on our three key words: CLEAN (representing a healthy environment), SAFETY, and FRONTIER (meeting the challenge of pioneering advanced technologies).

## Creating a future that supports society



### 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 and lay the foundation for our success in the next 100 years.





## Review of the Previous Medium-Term Management Plan

“BTvision22,” our previous medium-term management plan launched in fiscal 2020, concluded in fiscal 2022. In order to maintain our growth as a means of continuously enhancing our corporate value in a rapidly changing market environment, we took steps to disrupt preconceived notions (related to processes, technological development, and costs) and achieve breakthroughs. As a result, we were able to achieve important key performance indicators related to net sales and operating income one year ahead of schedule. However, we remain unsatisfied with the current situation and intend to address ongoing development of our business structure and a transformation of our organizational structure with the aim of further enhancing our corporate value.

### Overview and Challenges of “BTvision22,” Our Previous Medium-Term Management Plan

General Overview	
Enhancing business infrastructure	<ul style="list-style-type: none"> <li>Made a big leap in earnings especially in the business for the semiconductor market.</li> <li>Productivity improvement and many different measures made a progress toward a lean business structure.</li> </ul>
Achieving further globalization	<ul style="list-style-type: none"> <li>Achieved our target of bringing overseas sales ratio to 30%. (Scale of sales was expanded as well.)</li> <li>With Pillar Technology (Chuzhou) Co., Ltd. established, now we can better meet the Chinese market.</li> </ul>
Creating new businesses	<ul style="list-style-type: none"> <li>With our core technologies as a central focus, such technologies have been applied to the growing markets, such as hydrogen utilization and decarbonization.</li> <li>Industry-government-academia collaboration has been strengthened.</li> </ul>
Promoting ESG/SDGs management	<ul style="list-style-type: none"> <li>Awarded “B-” CDP score. Disclosure contents of our ESG initiatives have been enriched.</li> <li>Issued Health Management Declaration and recognized as a Certified Health and Productivity Management Organization.</li> </ul>
Financial strategy	<ul style="list-style-type: none"> <li>Achieved our target of bringing payout ratio to 30%.</li> <li>Started construction of Fukuchiyama Second Factory, a strategic investment to achieve business growth.</li> </ul>

To further enhance corporate value, promote our business, and undertake organizational transformation

#### Challenges

For continuous creation of economic and social values while flexibly keeping pace with and needs of the times

### Development of a business structure and transformation to an organizational structure

- Evolution of core businesses
- Creation of a new business foundation
- Enhancement of organizational and personnel strengths that have sustainability and growth potential

## Financial Highlights and Targets of the New Medium-Term Management Plan

#### Consolidated

(Millions of yen)

	BTvision19		BTvision22			FY2025 Targets
	FY2019		FY2020	FY2021	FY2022	
	Final year results		1st year results	2nd year results	Final year results	
Sales	29,213		30,200	40,670	48,702	66,000
Operating income	3,683		4,847	11,392	13,842	17,000
Operating income ratio	12.6%		16.1%	28.0%	28.4%	25.7%
ROE	6.2%		7.8%	16.8%	18.6%	10% or higher
Payout ratio	36.8%		34.6%	30.3%	30.0%	30% or higher
Growth investment	(Three-year cumulative)	11,649	972	992	1,751	(Three-year cumulative) 25,000
			(Three-year cumulative) 3,715			
By segment						
Electronic Equipment Business						
Sales	18,221		20,645	30,410	36,819	48,000
Operating income	2,253		4,130	9,737	11,759	14,500
Industrial Equipment Business						
Sales	10,915		9,471	10,146	11,844	18,000
Operating income	1,404		691	1,589	2,059	2,500

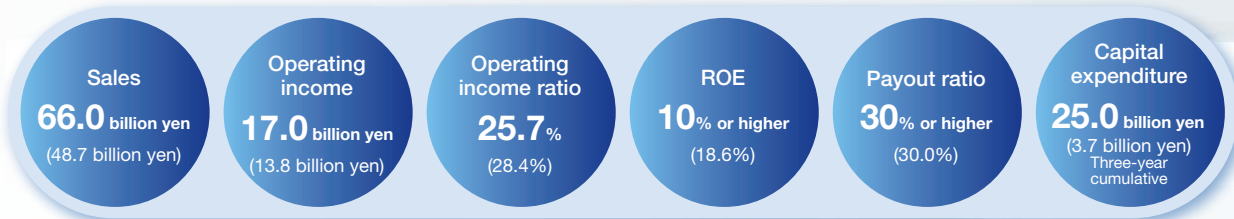
## The Philosophy behind “One2025”

The concept of “One2025” embodies the four elements that represent our management philosophy.



<b>Day One</b>	Pioneering spirit, challenging spirit, and sense of purpose on the first day of founding
<b>Only One</b>	Pursuit of uniqueness that can be obtained only by our Group
<b>Number One (No.1)</b>	Aiming to be number one not only in business but also in terms of technical development, social contribution, and nurturing of human resources
<b>One Team One Pillar</b>	Activities carried out by our Group as one

■ FY2025 Targets (FY2022 Results)



### One2025 Basic Policies (Company-wide)

Under “One2025,” our medium-term management plan, we are promoting the transformation of our business operations and organizational structure. We are accomplishing this in accordance with the five policies specified below as we approach 2024, the centennial of our founding, and the start of our next 100 years of success. This effort is intended to further enhance our 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 industry-government-academia collaboration.
- 4 Development of sustainable management**

Further develop sustainable management through investment in human resources and DX utilization that contributes to productivity improvement, as well as ESG measures.
- 5 Financial strategies that support growth**

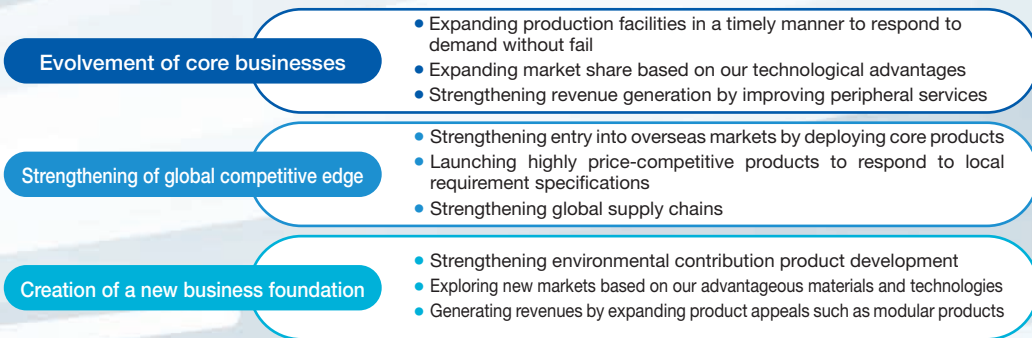
Enhance cash flow generation capability and pursue financial strategies to drive investment in further growth aiming at a payout ratio of 30% or more.

## The Business Strategies behind “One2025”



For fiscal 2025, we are setting out to achieve net sales of 66,000 million yen and operating income of 17,000 million yen. We intend to accomplish these goals by implementing the following three business strategies: pursuing the evolution of our core businesses; strengthening our global competitiveness, and establishing a new business foundation.

### Business Strategies

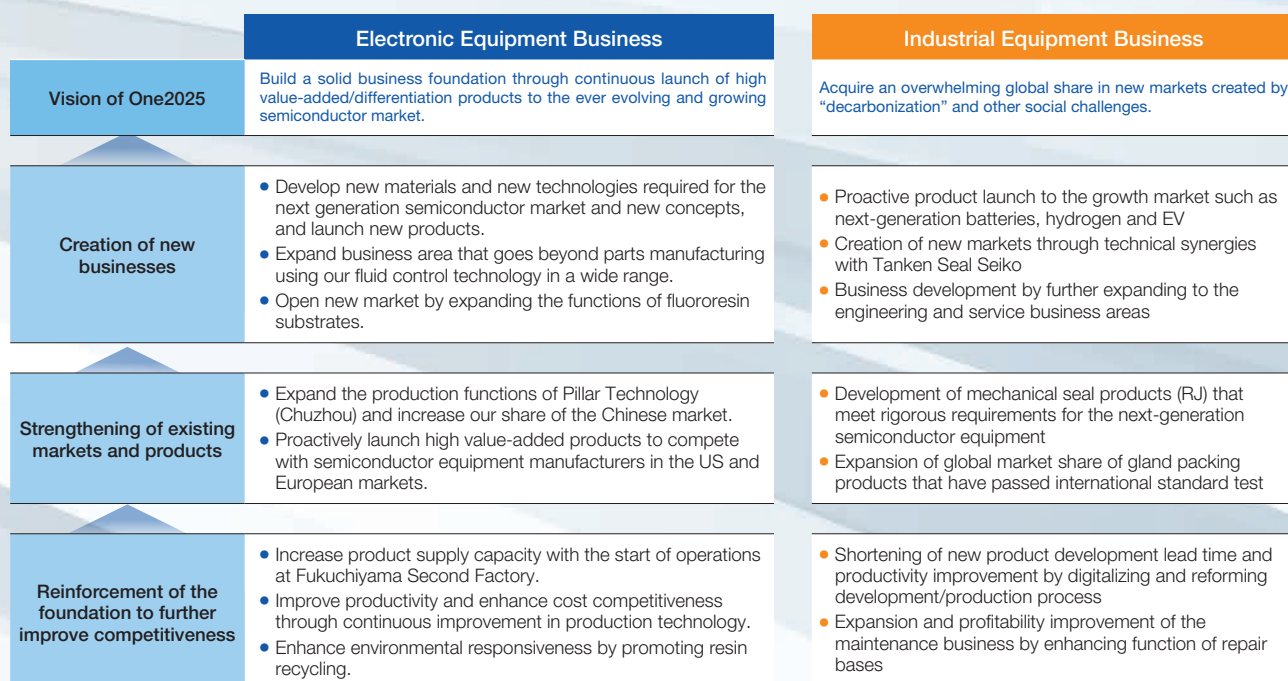


## Business Strategies and Measures by Segment

In the electronic equipment business segment, we will establish a solid business foundation by continuing to launch high-value-added and differentiated products in an ever-evolving and growing market. In the industrial equipment business segment, we will implement a number of measures to gain global market share in new markets that arise as part of the social effort to pursue decarbonization.

(Millions of yen)

	BTvision19		BTvision22		FY2025 Targets
	FY2019 Final year results	FY2020 1st year results	FY2021 2nd year results	FY2022 Final year results	
<b>Electronic Equipment Business</b>					
Sales	18,221	20,645	30,410	36,819	48,000
Operating income	2,253	4,130	9,737	11,759	14,500
<b>Industrial Equipment Business</b>					
Sales	10,915	9,471	10,146	11,844	18,000
Operating income	1,404	691	1,589	2,059	2,500



## Developing Sustainable Management under “One2025”



Our Group has established the Sustainability Policy outlined below according to our corporate principles and management philosophy. Moreover, we are strengthening our efforts to contribute to the emergence of a society committed to sustainability as we achieve sustainable improvement of our corporate value through our business operations.

### Developing a Sustainable Management System

We are focused on developing a commitment to sustainable management according to the following policy: Establishing a better management foundation through sustainable development, the digital transformation, and investments to maximize the value of human resources in addition to supporting existing ESG/SDGs measures. With regard to environmental protection and empowering our human resources, we are planning and implementing measures aligned with our nine priority targets.

#### Sustainability Policy

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

### Tanken Seal Seiko Co., Ltd. joining the Group will lead to further growth and development.

In April 2023, our Group acquired Tanken Seal Seiko Co., Ltd.

This acquisition will create synergies through integration and from the complementary aspects of technologies, sales, production, and procurement divisions. We believe this acquisition represents a catalyst for the Industrial Equipment segment. In addition, we are creating management synergies as we integrate our management systems in order to improve efficiency and reduce costs.





## Nine Priority Targets

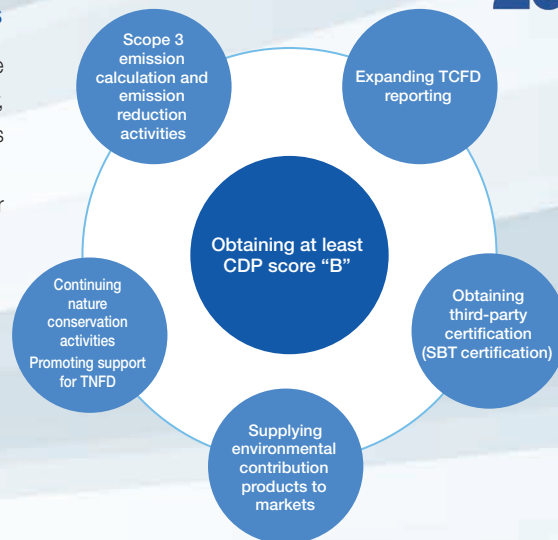


### Enhancing Our Environmental Protection Efforts

We will accelerate our decarbonization initiatives, including those under the calculation of Scope 3 emissions (attributable to the value chain). Moreover, we will ensure objective disclosure by acquiring third-party certification as well as certifications under the Science Based Targets Initiative (SBTi).

We aim to obtain a Carbon Disclosure Project (CDP) score of “B” or higher as an indicator of the Group’s efforts to address climate change.

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”

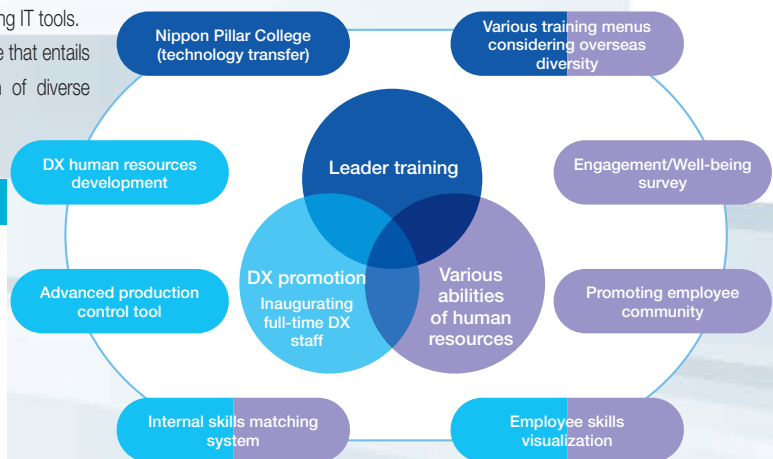


### Ensuring Active Participation of Human Resources and Growth of Our Organization

We will pursue sustainable growth of our organization by drawing out the capabilities of our diverse personnel, participating in the digital transformation, and utilizing IT tools.

By actively investing in human capital, we will achieve a virtuous cycle that entails securing diverse human resources; promoting the active participation of diverse personnel; promoting sustainable organizational growth; achieving business growth; and addressing social issues.

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



### Tanken Seal Seiko Co., Ltd. achieves successful domestic production of carbon rings.

Tanken Seal Seiko Co., Ltd. is a seal manufacturer that has been manufacturing and selling mechanical seals for rotating machinery such as pumps and agitators since 1955. Since then, under the motto of “providing support that enables our customers to maintain safe and continuous operation,” the company has been expanding its business performance and earning high praise and trust by offering detailed customer support.

When the company was founded, it achieved successful domestic production of carbon rings, the principal component of mechanical seals, and has recorded a history of providing quality comparable to that of the foreign products that were mainstream at that time. More recently, the company has developed exceptional expertise not only in the production of carbon rings but also in mechanical seal manufacturing technology and handling methods. The company contributes to society through its proprietary products, including porous carbon, and support services.



Head Office Factory of Tanken Seal Seiko Co., Ltd.

# Message from the CFO

## Implementing a major investment of over 20 billion yen in fiscal 2023 as the market grows

We are also strategically investing in growth through “One2025” as we celebrate our 100th anniversary in 2024.

### Katsuhiko Shukunami

Director, Senior Executive Officer



## 2022 Demonstrated Our Collective Strength

The previous medium-term management plan, BTvision22, started in fiscal 2020 as COVID-19 began to spread worldwide and the flow of humanity came to a halt. As economic stagnation spread, some companies were forced to shut down operations, but demand for PCs, tablet computers, and other IT products soared. Working in this field as the global demand for semiconductors surged, our business experienced strong growth. We had positioned semiconductors as a growth market prior to the pandemic, and our early capital investment paid off.

Net sales in fiscal 2022, the final year of the previous medium-term management plan, jumped from 29.2 billion yen in fiscal 2019 to 48.7 billion yen, and the figure is now nearly 50 billion yen. Operating income also nearly quadrupled from 3.7 billion yen in fiscal 2019 to 13.8 billion yen, a 3.7-fold increase. In that three-year period of time, we reached an entirely new level as a company.

In fiscal 2022 alone, our electronic equipment business, which makes products primarily for semiconductor manufacturing, performed superbly, achieving record sales, operating income, and net income for the second year in a row. Net sales increased by 8 billion yen, up 19.7% from the previous year; operating income increased by 2.4 billion yen, up 21.5%; and return on equity (ROE) reached a record high of 18.6%. These results exceeded the expectations of our shareholders.

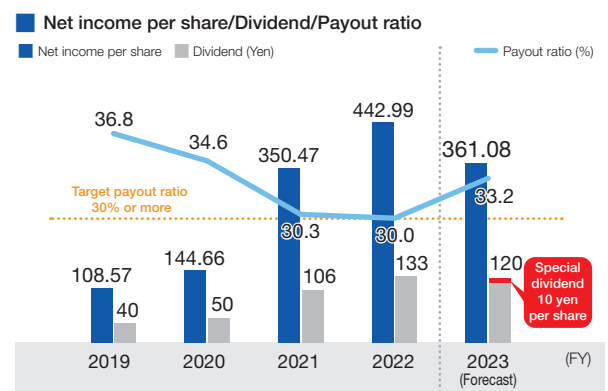
Yet, the achievements didn't come easy. We were plagued by shortages in the supply of fluororesin and other key raw materials and had to deal with price hikes. The healthy demand for semiconductors led to a backlog in orders, while the raw material shortages exacerbated delays in product delivery. We were also forced to ask our customers to accept some of the burden for the rise in costs.

To cope with these challenges, we came together across the Company and found solutions such as recycling fluororesin that had been discarded as leftover material, and did research to develop replacement materials. We consulted carefully with customers regarding changes in the specs for the raw materials and after confirming through repeated tests that the quality remained firm, we were able to increase supplies. I also believe that our customers' unshakeable trust in our products allowed us to gain their acceptance to pass on some of the rise in costs.

I feel that 2022 was a year that truly tested our collective strength as a company.

## Financial Strategy of the New Medium-Term Management Plan, One2025

As we approach our 100th anniversary in 2024, we will be on the path to new growth and our new medium-term management plan, One2025, will serve as a guidepost for the near term. Of the four “Ones” in the plan, “Day One” is particularly meaningful here. “Day One” means to recall the Company's founding—its pioneering spirit and the sense of challenge and purpose that existed on the very first day. We will take that determination and grit and apply it with a sense of urgency to our efforts going forward.



In fiscal 2023, the semiconductor market is likely to plateau, which will cause a drop in shipments of manufacturing equipment. The market may become stagnant or even fall into negative growth. Under such circumstances, how we proceed will be vital for maintaining growth. We will be working to fulfill a backlog of orders in the electronic equipment business that has accumulated since the previous fiscal year and respond to new demand, as well. Meanwhile, it will be a year of preparation in view of an expected “checkmark” recovery of the semiconductor market in fiscal 2024. I want us to build on the momentum of the strong growth we had over the previous medium-term management plan, and take off even further in 2024, our 100th anniversary year.

Over the three years of One2025, we aim to achieve growth of 10% or more annually, consolidated sales of 66 billion yen, consolidated operating income of 17 billion yen, an operating income margin of 25.7%, and an ROE of 10% or more. Few manufacturers with factories have an operating income margin of 20% or higher, but we have technology that cannot easily be copied by other companies, which is why I believe we can further build our earning power. Shareholder returns will be based on dividends, and our target payout ratio will be 30% or more, matching what it has been.

### Continued Investment for Business Growth

The Company has gotten by for a long time without raising major funding, but in fiscal 2023 a demand for funding that will exceed 20 billion yen emerged.

Our products are considered by customers to be key components in semiconductor manufacturing, and to fulfill our supply responsibilities, I believe that we must move ahead with capital investment before much time passes. In the electronic equipment business, in anticipation of strong demand in the semiconductor market, we will make a major investment of over 10 billion yen in Fukuchiyama. As Chief Financial Officer, my focus will be on managing capital costs as we develop an optimum financing strategy, utilizing our leverage judiciously.

We invested approximately 6.6 billion yen in the acquisition of Tanken Seal Seiko as part of our growth strategy in the industrial equipment business. Facing a major turning point, we aim to strengthen this business and get it back on track for growth during the One2025 period. Acquiring Tanken Seal Seiko, which provides high-performance products and services centered on the manufacture, sale, and maintenance of mechanical seals, I feel, will elevate our game and bring synergies to technology, production, and procurement.

In the area of research and development, construction of the Innovation Center at our mother factory, the Sanda Factory will be completed in October 2023. We will concentrate the Company's

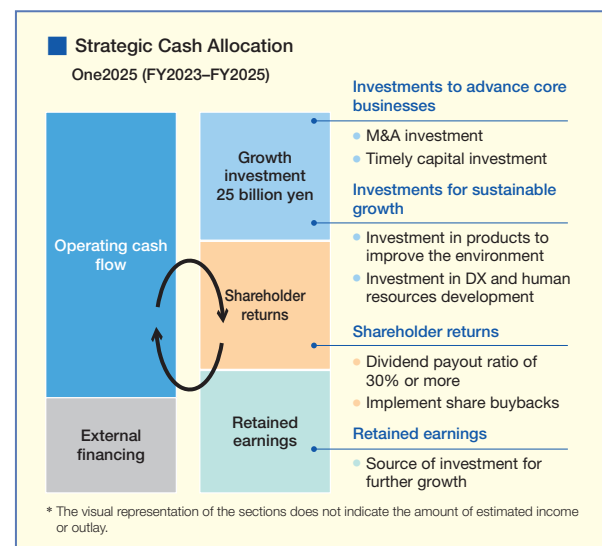
intellectual resources at this center to develop original products, while also promoting open innovation through industry-government-academia collaboration.

In the early development of businesses for next-generation growth, we are working on seismic isolation-related products that apply low-friction properties to reduce shaking from earthquakes in buildings and warehouses, an area in which demand is rising. In a different field, we are pursuing research to develop high-frequency substrates that will enable the transmission of greater volumes of data using high-speed 5G and next-generation 6G networks, both on our own and in collaboration with other companies.

In the development of new materials, we are laying groundwork by collecting information and actively building relationships with customers both in Japan and internationally. For example, we have sent engineers to Europe to ask questions and see if our technologies and products can help customers move toward carbon neutrality and meet other environmental challenges.

We are also boosting our investment in human resources, with an increase of 20% per employee in personnel training and development. At the same time, we recognize the importance of bringing about reforms at production sites, which have a direct impact on manufacturing costs. We also aim to improve office productivity, which is why we are redesigning our digital infrastructure. We aim for the new system to go into operation in fiscal 2025, confident it will transform work practices and boost efficiencies.

In fiscal 2022, we reached 100 billion yen in market capitalization, which is a good indicator of our corporate value but is only a brief snapshot in time. The important thing is to continue to grow sustainably, contributing to society by developing products and technologies that the world needs, which aligns with the Company's founding spirit.



# Electronic Equipment Business



Expanding our production bases to meet growing demand for semiconductors while focusing on recycling in response to resin shortages

We aim to respond to the ever-growing semiconductor market by ensuring stability of supply, a challenge we are addressing by expanding our production bases in Japan and in other markets. Furthermore, we are promoting the use of substitute and recycled materials in response to the shortage of fluoro-resin. We also intend to improve the cleanliness of recycled resins.

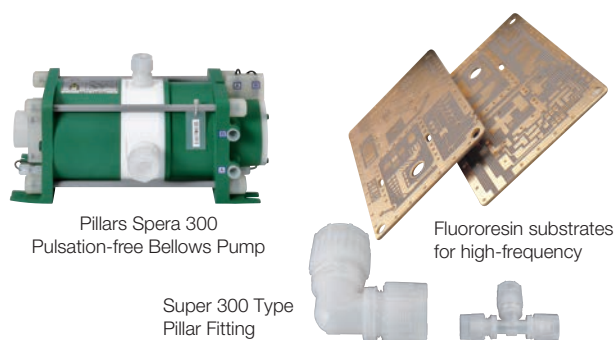
Executive Officer  
General Manager, Production & Engineering  
Headquarters and Fukuchiyama Factory

**Masaru Fujiwara**

## Business Overview and Market Environment

As part of our business, we manufacture fluoro-resin fittings and pumps for semiconductors and LCDs. Amid dizzying changes in the market environment, such as the spread of the COVID-19 pandemic, Russia's military invasion, and friction between the U.S.A. and China, the semiconductor market continues to face a shortage of semiconductors due to increased global demand. Consequently, our performance in fiscal 2022 exceeded that of fiscal 2021, which was a successful year. On the other hand, fiscal 2022 was also a year in which we faced the major challenge presented by the shortage of fluoro-resin as a raw material. As countermeasures, we considered recycling resins that had previously been discarded as scrap and using alternative materials suited to specific applications. In addition, since these products must meet semiconductor specifications that require a high level of cleanliness, we worked with our customers to confirm

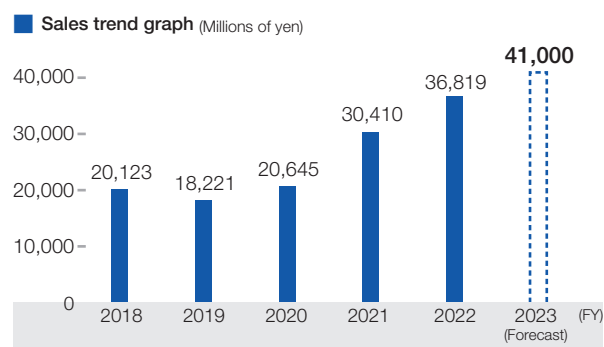
suitability for the application at hand during the switch to recycled and alternate materials. At the same time, we worked hard to secure the required supply volume through tenacious negotiations with resin manufacturers.



## Review of "BTvision22," Our Previous Medium-Term Management Plan

Fiscal 2022 marked the final year of "BTvision22," our previous medium-term management plan. The fiscal year concluded with net sales increasing by 6.4 billion yen, representing an increase of 21.1% compared to the preceding fiscal year, thus setting a record high for the second consecutive year. While strong demand for semiconductors in the IT and automotive sectors provided a significant tailwind, I feel that the various measures we implemented to ensure adequate supply greatly underpinned these results. For example, in terms of capital investment, we have implemented equipment investment plans that look ahead several years, considering the fact that manufacturing equipment often entails lengthy delivery times. In the area of injection molds, our Group acquired Masuko Manufacturing Co., Ltd., a manufacturer specializing in molds, in fiscal 2022. As a result, we were able to introduce many molds by sharing and collaborating with the company in a detailed and timely manner. In addition,

we have been able to pass on price increases attributable to soaring raw material prices, but we recognize that this required gaining the understanding of our customers, an accomplishment that reflected their deep trust in our products.





## Outlook for “One2025,” Our New Medium-Term Management Plan

Under our new medium-term management plan titled “One 2025,” scheduled for introduction in fiscal 2023, we aim to establish a solid business foundation by continuously introducing high-value-added and differentiated products to the growing and continuously evolving semiconductor market.

We will continue to strengthen our foundation by increasing our product supply volumes and improving productivity with the start of operations at the Fukuchiyama Second Factory. At the same time, we will increase our competitiveness in terms of cost and delivery schedule.

In addition, in the Chinese market, Pillar Technology

(Chuzhou) Co., Ltd., will seek to increase its market share by expanding its production capabilities. Meanwhile, in the European and American markets, we aim to further increase adoption of our products among semiconductor equipment manufacturers.

As for the challenges we intend to take on, we will strive to realize the vision of “One2025” by building a resilient supply chain and promoting resin recycling. We will also introduce two-color moldings that combine two types of resins as well as large-scale moldings, two challenges that we have not previously attempted.

## Future Tasks and Goals

The semiconductor market is expected to plateau in fiscal 2023, but expectations are high that the next wave of market demand will arrive in the second half of 2023 and in 2024. As for overall market trends, we expect the semiconductor market to continue growing, driven by demand in the IT and ICT sectors and in the automotive industry. In addition, the evolution of communications technologies such as 5G and 6G in the information and communication market will drive demand not only for semiconductors but also for our

fluororesin substrates (high-frequency substrates). We will also promote the development of non-semiconductors that take advantage of the characteristics of fluororesin.

As we approach our 100th anniversary in 2024, we will continue to promote the forward leap embodied in “One 2025” as we embark on our next 100 years while valuing our founding spirit as a company that excels at handling fluid control components.

## TOPICS

### Utilizing Recycled Resins

As a measure to address the shortage of fluororesin, we are reusing scrap resin generated after molding as recycled resin. Due to the risk of contamination, we are currently in consultation with customers and limiting the scope of application of this material. In the future, we will focus on improving its cleanliness in order to contribute to the efficient use of limited resources as well as waste reduction.



Nuts made of recycled materials (left)

### Pillar Technology (Chuzhou) Co., Ltd., has begun manufacturing products for use in semiconductor manufacturing equipment.

In response to efforts to strengthen our semiconductor business in China, Pillar Technology (Chuzhou) Co., Ltd. has undertaken full-scale manufacturing of products for use in semiconductor manufacturing equipment. We also opened a new office in Beijing, where many semiconductor-related companies have congregated. In order to respond to the future needs of the Chinese semiconductor market, which is expected to continue expanding, we will promote the practice of local production for local consumption.



Clean room at Pillar Technology (Chuzhou) Co., Ltd.

# Industrial Equipment Business



## Establishing a new business foundation during the major shift toward carbon neutrality

In order to contribute to the emergence of a decarbonized society, we will consolidate the Group's technologies and expand our business through R&D initiatives utilizing our Innovation Center and synergies with Tanken Seal Seiko.

Executive Officer  
General Manager,  
Sales Headquarters and 1st Sales Dept.

**Toyokazu Serita**

### Business Overview and Market Environment

Our business deals mainly with the key industries that drive the Japanese economy, including electric power, petrochemicals, and shipbuilding. These industries are implementing carbon-neutrality initiatives and are thus immersed in a period of major transition. They are now promoting non-fossil-fuel energy sources, a structural transformation of their respective industries, and significant energy-efficiency initiatives. We are therefore focusing on creating business opportunities as well. The Japanese government's carbon-neutrality policy has been a major driving force, and as each company undergoes various verifications and demonstrations, we are encountering opportunities for our products to be evaluated. Looking to the market for next-generation batteries, hydrogen as a fuel, and electric vehicles (EVs), we are expecting commercial operation and mass production to come to the fore in the next three to five years. I am confident that fiscal 2022 has marked a step toward establishing our business in new growth markets.

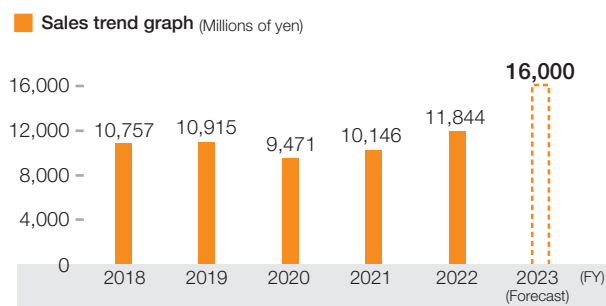
On the other hand, the semiconductor shortage and the emergence of global economic disruptions have had an impact; parts procurement has been affected by longer delivery times and higher prices. In order to maintain a sustainable supply system, we have been negotiating and coordinating with our customers to an unprecedented extent. This has involved proposing substitutions, suggesting design changes, and solving problems in close collaboration with our customers.



### Review of "BTvision22," Our Previous Medium-Term Management Plan

Since we launched our previous medium-term management plan, "BTvision22," in fiscal 2020 during the emergence of the COVID-19 pandemic, our plans were impacted by changes in the economic environment in which we operate. Due to the decline in new plant projects and the extension or contraction of scheduled repairs at existing plants, both new demand and maintenance demand in the electric power and petrochemical industries have declined. On the other hand, products for precision equipment for the semiconductor market performed well, contributing to the improvement in sales and profits for the business as a whole. Until recently, most of the demand for these products had arisen from within Japan but, as our customer base has grown, demand from outside Japan has increased. As a result, net sales in

fiscal 2022, the final year of "BTvision22," grew by 1.7 billion yen, representing a year-on-year increase of 16.7% and a new record high.



## Outlook for “One2025,” Our New Medium-Term Management Plan

Under “One2025,” our new medium-term management plan scheduled for implementation in fiscal 2023, we will adopt a range of measures with the goal of acquiring an overwhelming share of new global markets created by the response to social issues arising from decarbonization.

For example, in fiscal 2022, we established a new team of specialists to address digital transformation within the engineering division as a response to the increasing digitization taking place across society. In April 2023, our Group acquired Tanken Seal Seiko Co., Ltd., thereby adding a new product group and material technology. This fall, construction of the Innovation Center in our Sanda Factory will be completed, which will consolidate the Group’s technologies and promote development of technologies and products through collaboration among industry, government, academia, and our Group’s own companies. As the industrial structure shifts toward the emergence of a decarbonized society, we will take

advantage of these new initiatives to establish innovative businesses that contribute solutions to social issues. We will do so by making full use of our technological expertise, ability to devise solutions, and capabilities as a comprehensive manufacturer of fluid control equipment.

In addition, as the oil refining and electric power industries experience generational turnover among skilled employees, and as younger maintenance personnel enter the workplace, demand has been growing for maintenance-related consulting services such as advice on how to install seals. We intend to expand the functions of our repair bases and utilize both internal and external resources to increase customer contact by holding workshops and providing on-site guidance. We will expand our maintenance business and expand our stand-alone sales business to encompass services with the goal of expanding sales and improving our profitability.

## Future Tasks and Goals

Look to our existing markets and product lines, we plan to develop seals for precision equipment used in the market for next-generation semiconductors, which must meet even more stringent requirements. Through this endeavor, we intend to expand our global market share with gland packings that comply with international standards.

For the emerging carbon-neutral market, we aim to establish a strong business foundation as we move to the next stage of commercialization and mass production.

In terms of our supply system, we feel that providing

customers with peace of mind is essential. We intend to achieve this by supplying products in a stable and sustainable manner while providing solutions for the risks that exist.

Our core competency, fluid control technology, is directly linked to the need to address environmental and social issues related to the decarbonization of society. As we approach our Company’s centennial celebration, we are seeking to return to the origins of our founding and continue to be an entity the world relies on.

### TOPICS

Sample system

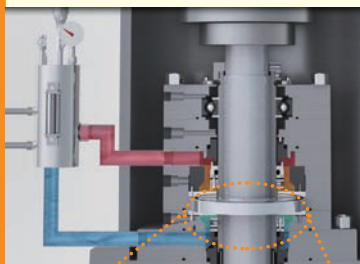


Illustration of pump section

### Market Launch of the Pillar Sealant Circulating & Cooling System (PSCC)

The Pillar Sealant Circulating & Cooling System (PSCC) represents a new concept for a sealant circulation system equipped with a pumping function in the mechanical seal unit.

Until recently, mechanical seals for agitators have required an auxiliary device, called a pressure unit, in the high-temperature range where the internal temperature can exceed 200°C when water or solvents are used as the sealing liquid (or lubricating liquid). Pressure units are associated with several issues, such as the high cost of installing equipment for customers and the need for careful consideration of the installation location. The PSCC, however, can be operated by the seal unit alone by incorporating a pump function into the mechanical seal, eliminating the need to install a separate pressure unit. In addition to forming an appropriate sealing environment, this innovation contributes to reduced running costs and space requirements. What’s more, the pump can be repaired, contributing to energy efficiency and resource conservation. In addition, a simplified system configuration is possible, eliminating the need for complicated operations. We will continue to develop products that contribute solutions to environmental and social issues while addressing customer issues.

# Serving as a Bridge of Technology in the Global Field

In 1980, the Group established Korea Pillar Packing 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.



## List of overseas sites

Nippon Pillar Singapore Pte Ltd.  
PT. Nippon Pillar Manufacturing Indonesia  
PT. Nippon Pillar Indonesia  
Nippon Pillar (Thailand) CO., Ltd.  
Taiwan Pillar Industry Co., Ltd. Taipei Office  
Taiwan Pillar Industry Co., Ltd. Takao Factory  
Pillar Technology (Chuzhou) Co., Ltd.  
Shanghai Pillar Trading Co., Ltd.  
Shanghai Pillar Trading Co., Ltd. Beijing Office

Korea Pillar Packing Co., Ltd.  
Nippon Pillar Middle East FZCO  
Nippon Pillar Corporation of America Houston Office  
Nippon Pillar Corporation of America Fremont Office  
NPK Fluid Control Systems Mexico S.A. de C.V.  
Nippon Pillar Europe GmbH  
Nippon Pillar Packing Co., Ltd. Alger Liaison Office  
TANKEN SEAL (SHANGHAI) CO., LTD.  
TANKENSEAL SINGAPORE PTE.LTD.

## History of our expansion into markets outside Japan

1980	Korea Pillar Packing Co., Ltd. is established.	2007	Shanghai Pillar Trading Co., Ltd. in China is established.
1993	Nippon Pillar Singapore Pte Ltd. as a sales hub for Southeast Asia is established.	2010	Nippon Pillar Packing Co., Ltd. Alger Liaison Office in Algeria is established.
1999	Nippon Pillar Corporation of America in the U.S.A. is established.	2015	Nippon Pillar Middle East FZCO in the UAE is established.
2001	Taiwan Pillar Industry Co., Ltd. in Taiwan is established.		Nippon Pillar (Thailand) Co., Ltd. in Thailand is established.
2003	Suzhou Pillar Industry Co., Ltd. in China is established.		





Fukuchiyama Factory

- Head Office
- Factory, business location, branch office
- Group companies

Kobe Branch Office

Hiroshima Branch Office

**Kyushu Factory**

Kyushu Branch Office

**Fukuchiyama Factory**

Osaka Branch Office

Kyoto Branch Office

Tokyo Branch Office

Yokohama Branch Office

Nagoya Branch Office

**Sanda Factory**



Nippon Pillar Corporation of America

U.S.A. (Fremont) (Houston)

Mexico



NPK Fluid Control Systems Mexico

### North and Latin America

Sales hubs

**2** locations

Production facilities

**2** locations



Sanda Factory



Kyushu Factory

### 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
- Yokohama Branch Office
- Nagoya Branch Office
- Kyoto Branch Office
- Osaka Branch Office
- Kobe Branch Office
- Hiroshima Branch Office
- Kyushu Branch Office

#### 〈Domestic Group companies〉

- Pillar Seal Solutions Co., Ltd.
- NP Real Estate Co., Ltd.
- NIPPON PILLAR PRECISION MFG. CO., LTD.
- NP Kogyo Co., Ltd.
- Nippon Pillar Kyushu Co., Ltd.
- Masuko Manufacturing Co., Ltd.
- TANKEN SEAL SEIKO CO., LTD.

- 2016 NPK Fluid Control Systems Mexico S.A. de C.V. in Mexico is established.
- 2018 Nippon Pillar Europe GmbH in Germany is established.
- 2019 PT. Nippon Pillar Manufacturing Indonesia and PT. Nippon Pillar Indonesia in Indonesia are established.  
A production facility in Nippon Pillar Corporation of America 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. opens.

# Manufacturing Capital Supports Growth



## Establishing technological, development, and production systems through timely capital investments

By renovating the Sanda Factory and constructing the Fukuchiyama Second Factory and the Sanda Innovation Center, we are renewing our production system and constructing systems designed to increase production; moreover, we are strengthening our engineering and development divisions and enhancing our training facilities. In addition, as we construct new factories, we are incorporating environment-friendly solutions such as the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

Director, Senior Executive Officer

**Ikuo Hoshikawa**

### Strengths

1

## A Mother Factory That Provides Fluid Control Technology

As our main factory, the Sanda Factory plays the role of a mother 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, the factory was reopened as a state-of-the-art factory following extensive renovation work intended to improve productivity through a rationalized layout; expanded automation and mechanization; and the introduction of IoT. As part of this renovation, efforts were made to improve the working environment and safety; to implement a business

continuity plan; and to improve visitors' sense of trust and security through the addition of a technology training center, analysis center, and showroom.

Looking to research and development, the Innovation Center, which will bring together engineers from the Sanda Factory, is scheduled to be completed in October 2023. We intend to strengthen our product development capabilities by combining, fusing, and integrating technologies across our organization. Furthermore, with an eye to markets of the future, we will promote initiatives targeting advanced technologies by strengthening collaboration among industry, government, and academia while focusing on the pursuit of innovations.

### Strengths

2

## An Agile Global Production System That Responds Quickly to Emerging Market Trends

### Expanding production facilities to meet shifting demand

In order to respond to the ongoing increase in demand for products in the electronic equipment market, the Fukuchiyama Second Factory is scheduled for completion in September 2023. The factory is intended to increase production capacity by up to 80%; strengthen cost competitiveness through the construction of a new production system; comply with customers' stringent quality requirements; and highlight our technology through its open concept design. It features an expansion zone capable of accommodating three more factories of the same size. We plan to use this space to expand our production capacity with a flexible approach.

Moreover, this factory features an environment-friendly design, as it will incorporate solar power generation and energy-efficient equipment.



Illustration of completed Fukuchiyama Second Factory

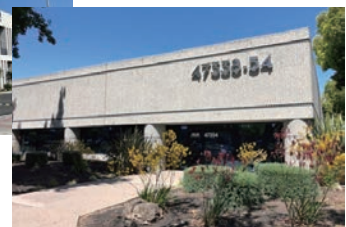
### Maintaining local production systems outside Japan

We are strengthening our facilities in the U.S.A. and China, where the market for products in the electronic equipment business segment is expected to expand. In the United States, we have set up a simple laboratory at our Fremont Office to accommodate the development needs of semiconductor equipment manufacturers. We also intend to expand the warehouse space to meet growing demand.

In China, Pillar Technology (Chuzhou) Co., Ltd. has adopted the model of local production for local consumption in response to the demand for products for the electronic equipment market. By increasing the number of items produced and strengthening its production system, it is expanding its product lines as well as the quantities produced.



Pillar Technology (Chuzhou) Co., Ltd.



Nippon Pillar Corporation of America, Fremont Office

## Strengths

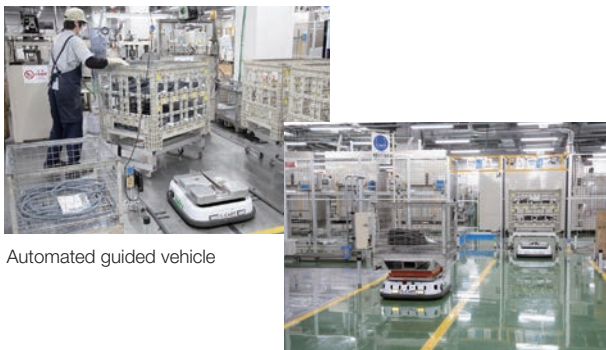
## 3

## Advanced Production Facilities and Equipment

**Promoting automation and the adoption of IoT**

The Sanda Factory has introduced innovations such as automated guided vehicles (AGVs), automated guided forklifts (AGFs), radio frequency identification (RFID), and management systems employing short-range wireless communication with IC tags.

By utilizing these improvements, we aim not only to reduce work loads but also to eliminate human error, reduce walking distances, and improve productivity while minimizing lead times through unmanned operation.



Automated guided vehicle

**High-standard clean room**

At the Fukuchiyama Factory, we have introduced a large-scale industrial clean room, which is a space intended to minimize airborne microparticles and microorganisms to a level of cleanliness that attains a specific standard in order to prevent contamination of surfaces with impurities and dust.

Even fine dust remaining on the surface of electronic components presents a risk of malfunction. It is therefore extremely important to eliminate dust and other fine particles by employing high-performance filters and by eliminating static electricity. We will continue to meet the future needs of the market by equipping our facilities with clean rooms to meet the highest standards.



Clean room

**A facility that enhances the peace of mind and security of visitors**

The technology training center at the Sanda Factory has prepared training programs not only for our employees, but also for our sales partners and partner companies. We have provided samples of pumps, valves, and other machines that enable visitors to expand their knowledge of our products through hands-on training while learning how to incorporate them in their operations.

Our showroom is also available for customers who visit our factory. Here, they can gain more detailed information about our Company. We have also designed visual presentations for greater ease of understanding. By introducing applications in which our products are actually used as well as cutaway displays that clarify the structure of our products, we are creating opportunities for greater business development.



Technology training center

Showroom

**Safe and environment-friendly design**

As a safety measure against earthquakes, we have adopted seismic isolators of our own design at the new Sanda Factory, Fukuchiyama Factory, and Kyushu Factory.

We are also working to obtain certification under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for our environment-friendly designs. Both the new Sanda Factory and the Sanda Innovation Center have acquired CASBEE-A certification, while the Fukuchiyama Second Factory has applied for CASBEE certification.

In addition to acquiring these CASBEE certifications, we are adopting eco-friendly measures such as low-carbon enzymatic construction material (ECM) concrete and cubicles incorporating soybean oil.



Seismic isolator / Slide bearing

Sanda Factory





Nippon Pillar Packing will create new value by upgrading our core technologies and strengthening our fundamental technologies based on the principles of CLEAN, SAFETY, and FRONTIER.

Executive Officer,  
General Manager, Engineering Headquarters

**Kazukiyo Teshima**

## Nippon Pillar Packing's Core Technologies and R&D Concepts

Since our founding, we have utilized fluid control technology and material development to explore unknown materials and research and develop the latest technologies.

Research and development is based on our fundamental technologies such as seals, material engineering, mechanical engineering, injection molding, analysis, and mold design, which result in upgraded core technologies held by our electronic equipment business and industrial equipment business. Core technologies in the electronic equipment business include resin seals, fluorocarbon resin injection molding, microscopic analysis, and computer aided engineering (CAE), which are mainly used to develop products for the

semiconductor market, which has high cleanliness requirements. The core technologies in the industrial equipment business are tribology, material formulation, and CAE, which are mainly used to develop products for the electric power and petrochemical markets. Core technologies upgraded in each business are shared through personnel rotations across the businesses, promoting efforts to create new value through the combination of core technologies and accelerate the advancement of core technologies. We are also making efforts through industry-government-academia collaboration by dispatching engineers to universities as part of measures to train future engineers and strengthen our fundamental technologies.

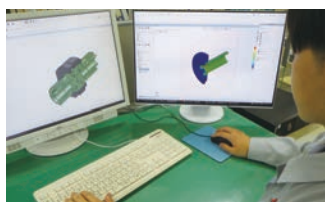
## Analysis and Testing Equipment

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 increasingly stringent cleanliness requirements associated with the miniaturization of semiconductors, we are building a system capable of multifaceted analysis (both inorganic and organic).



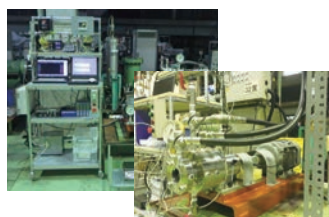
### Design with 3D CAD

We perform basic structural analysis and design seamlessly, leading to faster product design and proposals.



### Test equipment for semiconductor and liquid crystal manufacturing devices

To evaluate performance under severe operating conditions in the semiconductor market, we have thermal cycle test equipment capable of cycling through 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.



### Low temperature test equipment for valves

This test equipment is used to collect data on sealing characteristics, sliding characteristics, and stress relaxation characteristics of gland packing for valves in low temperature environments (-150 to 0°C). It is utilized for the development of gland packing suitable for low-temperature environments.



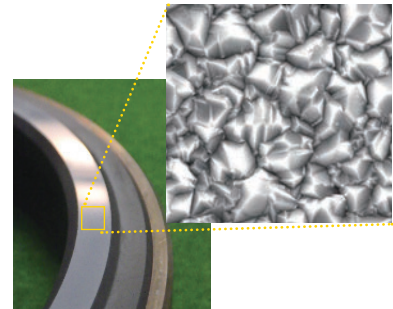
### 1000kN universal testing equipment

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 Industry-Government-Academia Collaboration

We are engaged in research on diamond coating as one of the ways to improve materials technology through industry-government-academia collaboration. Diamond is a material with a variety of excellent properties, and its use as a sliding material in mechanical seals can dramatically improve sliding properties, especially in high-load applications. In the mature sealing field, one of our approaches to dramatically improve product performance is to identify the relationship between the physical properties of diamond films and sliding properties and explore deposition technologies that form ideal diamond films.



Diamond coating

## 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 order to suppress particle occurrence and improve particle emission performance, we are promoting front-loaded development to identify and solve problems in the initial development stage by combining our basic data with CAE and testing hypotheses through verification tests, such as the development of a series of sweep fittings with a smooth flow path and piping design and pump wetted part design with consideration of pressure loss and liquid displacement. In addition, for cleanliness, we are building microscopic analysis technology to assess the current conditions and to check the state of further cleanliness solutions.



Super 300 Type Pillar Fitting Sweep Elbow

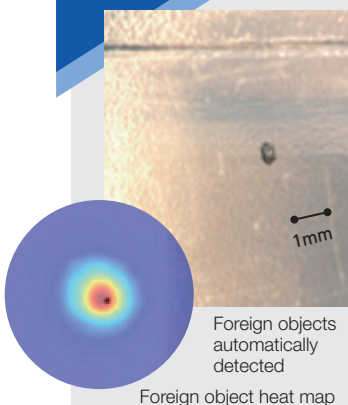
## Efforts Toward a Carbon-Neutral Market

As decarbonization of society progresses and diverse efforts are being made around the world, we are developing products based on the fundamental technologies we have cultivated in fluid control, material technologies, and resin molding. In product development for the hydrogen market, which is expected to become a next-generation energy source, we are restructuring our in-house evaluation equipment. As one of these efforts, we will install testing equipment and analytical instruments that enable evaluations in a hydrogen atmosphere to expand our knowledge of tribochemical reactions in sliding parts and create new value that meets the needs of the market. We are also developing products for the automotive industry, which is undergoing a major transformation from fossil fuels to EVs and FCVs.



Friction and wear test equipment in a hydrogen atmosphere

### Utilizing DX



Foreign objects automatically detected

Foreign object heat map

### Promoting a Digital Transformation through the Fusion of Deduction and Induction

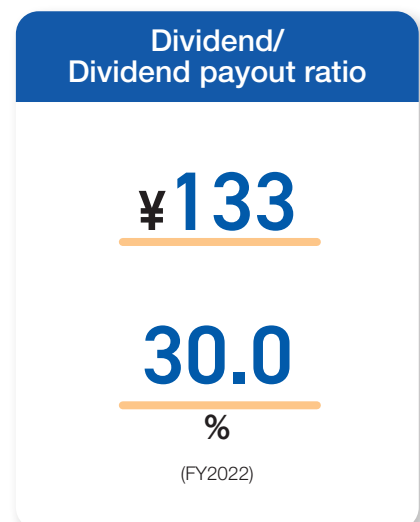
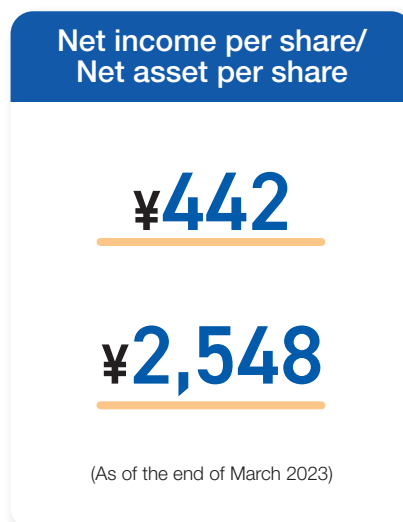
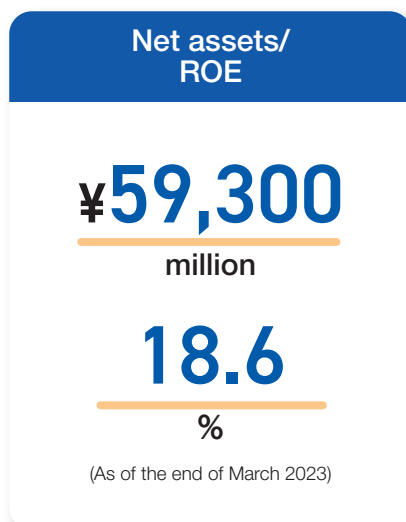
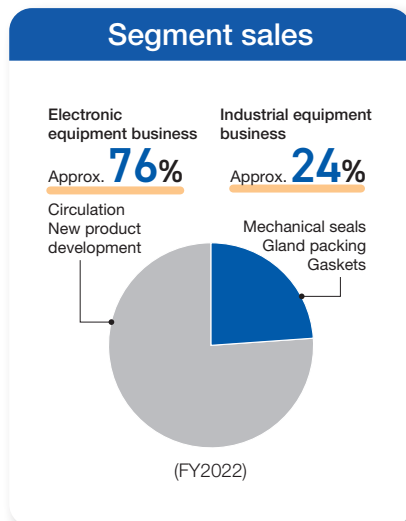
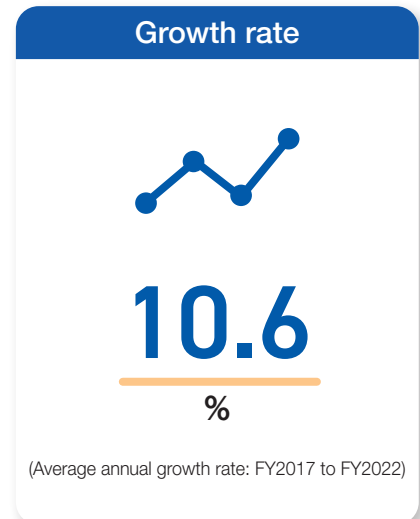
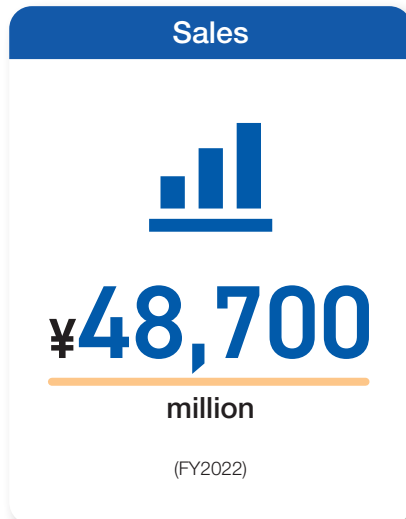
As one example of the utilization of a digital transformation, we are working on the automation of visual inspections of injection molded products (fluorocarbon resin products).

We aim to build an imaging environment suitable for our products and update the accumulated data of good and defective products through AI learning, thereby eliminating the need for human resources in the inspection process and saving manpower.

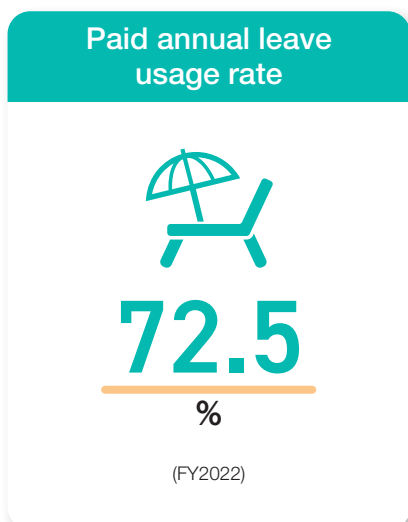
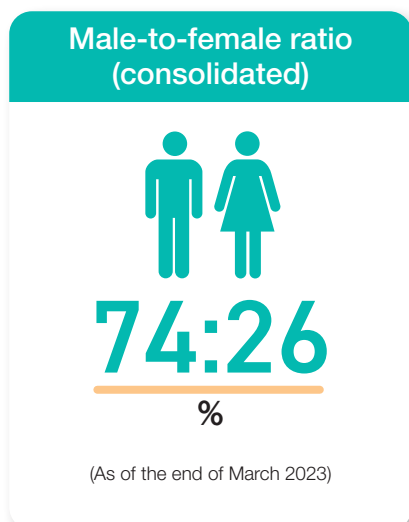
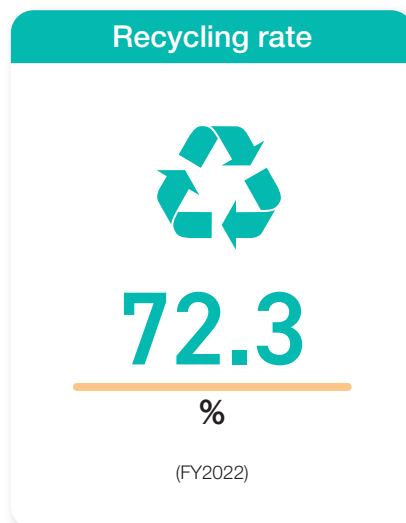
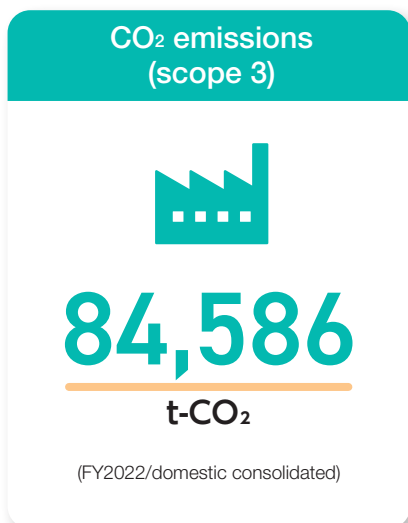
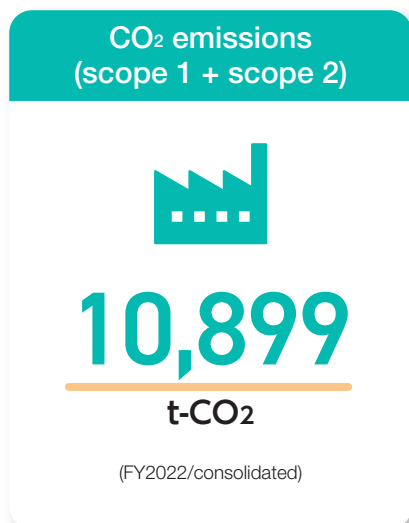
By combining the technical elements of a digital transformation (the inductive method) with existing engineering simulations (the deductive method), such as structural analysis and thermal/fluid analysis, it is possible to perform coupled analysis of complex physical phenomena with high accuracy and speed, previously considered to be difficult. This enables us to clearly set specifications that can be compatible with multiple target specifications in the early stages of development, and we are also working to achieve a design and development process (front-loading) with no backtracking.

# Nippon Pillar Packing by the Numbers

## Financial Data



## Non-Financial Data



## Message from the Outside Directors

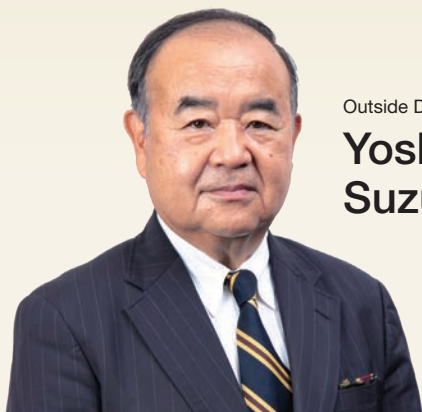
With the switch to our new medium-term management plan, One2025, begun in fiscal 2023, the Group's outside directors speak about how they see their roles, and plan to help with the Company's mission, and decision-making.

### With an Understanding of the Company's Public Interest Mission

A corporation is a member of society that earns profits by contributing to society through its business activities. Its directors must represent the common interests of all stakeholders—shareholders, employees, and society at large. That is the basis for how I see my role in the Company and my ultimate mission—making suggestions to influence the Company's executives. With this role in mind, I take special care to look into the heart of matters in day-to-day business and education and use numerical quantifiers to provide others with a basis for understanding what I see. On this Board of Directors, I will do my best to ask questions, discuss ideas, and provide advice on matters of business strategy to determine whether or not we are fulfilling our public interest mission on various issues.

The Company's corporate value has more than doubled over the last three-year term as the Group took advantage of an opportunity in a highly unpredictable market environment bolstered by good management and a strong employee effort. I feel that the driving force behind this success was the solidarity among the many people involved. I also see the accomplishment as a high expectation for the further building of corporate value going forward.

The new medium-term management plan, One2025, was set up to meet such expectations. As the Company works to achieve the four "Ones," I will fulfill my responsibilities as an outside director to make sure it fully responds to the public interest on its path ahead.



Outside Director

**Yoshinori  
Suzuki**

### Aiming to Contribute to Society Over the Long Term

Recent years have brought a flood of information through the spread of social media, combined with rapid technological development and many crisis events that all together have thrown society into a state of near-chaos. As corporate management struggles with this situation, on top of advocacy for sustainable development goals and compliance principles, the difficulties seem only to be coming faster, and I feel a heavy responsibility in my role as an outside director.

My own career started out in a major general trading firm and I was involved in the management of manufacturing companies both domestic and foreign, after which I served as a non-executive director of several companies and organizations. Over my career, I developed the principle of taking in a broad range of information to sift through and employ judiciously, followed by action rooted in the broad-minded idea of contributing to society rather than the short-sighted view of profit-and-loss calculations. I plan to update my information and empirical knowledge and invigorate the Board of Directors with constructive opinions to help the company achieve growth in the medium to long term.

With my own experience on the engineering side of manufacturing for over 20 years, I understand the importance of the PDCA cycle as a management method. And though I respect this as a principle, I feel that the concept of OODA (Observation, Orientation, Decision, Action) is more in line with my own principles and can serve the company better, much as a seismic isolator for withstanding a major earthquake.



Outside Director

**Junichi  
Komamura**



## A Shift from Past to Future-Oriented Information

I am a certified public accountant and a partner in an auditing firm, where I perform audits and serve as an outside director.

There used to be a close focus on the financial reports of a company, with their accurate calculation of business performance and determination of payouts to investors. The information was all about past performance. However, the type of information that investors and other stakeholders today want for making decisions is no longer the standard financial data of the past but has shifted to information that gives greater weight to the future, including non-financial information that does not need to conform to standard reporting categories. Investors seek corporate value not in how much the Company has contributed to date but how much it will contribute going forward. Such information is more important.

A company must disseminate information about its future activities appropriately in response to such demands. The information also needs to be accurate and easy to understand and utilize.

I will use my experience in accounting audits to help the Company disseminate future-oriented information that is more value-added and useful to investors.

Outside Director  
(Audit & Supervisory  
Committee member)

**Kazumitsu  
Takaya**



## For Sound Governance

In more than 20 years of legal practice, I have provided legal advice and handled incoming lawsuits for companies in a range of industries. That included a five-year stint as in-house counsel, dealing with legal and compliance matters. Compliance is sometimes seen as an impediment to doing business, but nowadays, noncompliance can damage corporate value and even threaten a company's existence, not to mention the potential damage that the falsification of quality data can incur.

Outside directors are free to express their opinions without the constraints or influence of relationships within the Company. One important role of ours is to provide information on initiatives at other companies or in other industries that the Company can use for reference. The Company has been in business for a long time, celebrating its 100th anniversary in 2024, but there is no resting on laurels here. Top management is not content with their past knowledge and experience, but is eager to listen to outside opinions and incorporate new insights. I also feel that the Board of Directors listens well to the reasoning of outside directors and responds accordingly.

A sound structure for governance is essential for the Company to develop further, and active discussions at the Board of Directors meetings will support this. Based on the knowledge and expertise I have built through my career as an attorney, I will not hesitate to express my opinions honestly with a keen awareness of issues from a compliance and legal perspective.

Outside Director  
(Audit & Supervisory  
Committee member)

**Kyoko  
Kobayashi**



# Corporate Governance

## Basic Approach

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

important to establish management organizations and internal controls so that sound, 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 <b>Company with an Audit &amp; Supervisory Committee</b>	Advisory body to Board of Directors <b>Independent committees</b>	Number of directors (excluding directors who are Audit & Supervisory Committee members) <b>6 (including 2 outside directors)</b>
Number of directors who are Audit & Supervisory Committee members <b>3 (including 2 outside directors)</b>	Number of independent directors (including Audit & Supervisory Committee members) <b>4</b>	Number of Board of Directors meetings in fiscal 2022 <b>9</b>
Term of office for directors <b>1 year (excluding directors who are Audit &amp; Supervisory Committee members)</b>	Performance-linked remuneration <b>Provided</b>	Takeover defense measures <b>Implemented</b>

## 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	Kazuhiro Maruoka					●	●	
	Kazumitsu Takaya	●				●		
	Kyoko Kobayashi	●					●	

## Transition of Corporate Governance

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of directors	Internal	5	7	6	6	6	5	5	5	5	5	5
	External	3	3	4	4	4	4	3	4	4 (including 1 female)	4 (including 1 female)	4 (including 1 female)
Ratio of outside directors												
		37.5%	30.0%	40.0%	40.0%	40.0%	44.4%	37.5%	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  
General Manager, Sales Headquarters  
Jun. 2020 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)  
Jun. 2003 Executive Officer  
Jun. 2006 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, AnGes, Inc. (to present)  
May 2020 Outside Director, TOKAI BUSSAN 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)

#### Kazuhiro Maruoka

Jul. 2009 Joined the Company  
Mar. 2011 General Manager, Accounting & Financial  
Department  
Jun. 2018 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)

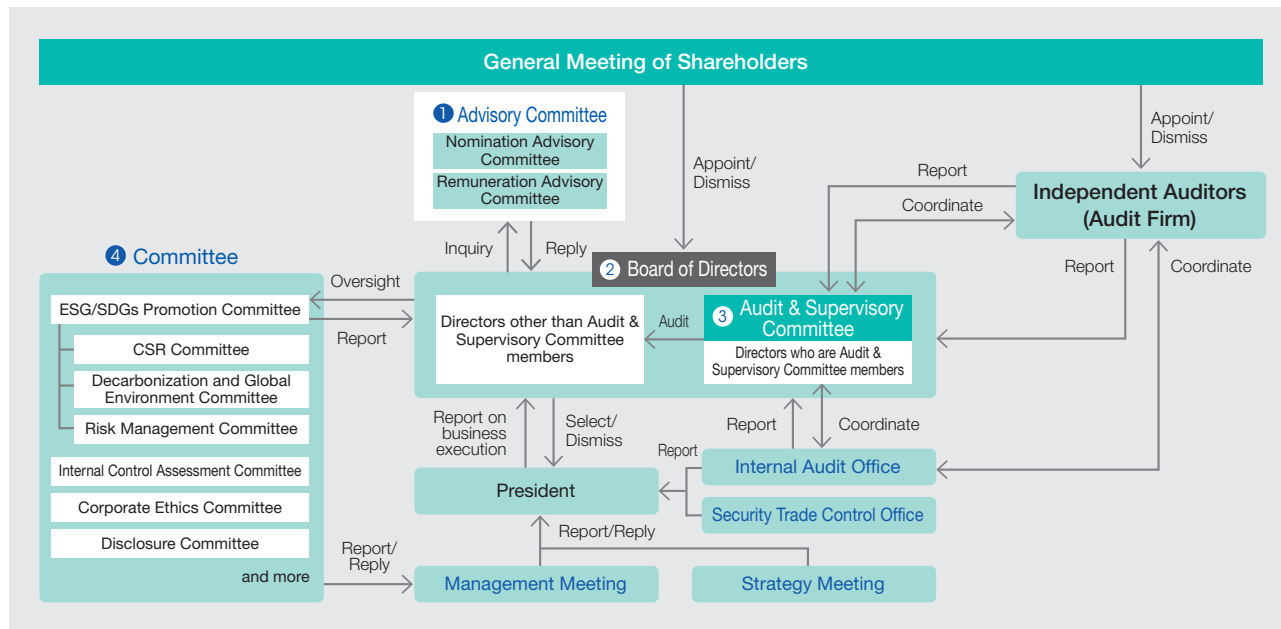
#### Kyoko Kobayashi

Apr. 1999 Registered as an attorney at law  
Joined Irokawa Law Office (currently  
Irokawa Legal Professional Corporation)  
Apr. 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 Pain  
Manufacturing Co., Ltd. (to present)  
Jan. 2020 Partner of Irokawa Legal Professional  
Corporation (current)  
Jun. 2020 Outside Director of Mitsubishi Logisnext  
Co., Ltd. (to present)  
Jun. 2021 Outside Director of the Company  
(Audit & Supervisory Committee member)  
(to present)

### Executive Officers (Excluding Directors)

Managing Executive Officer	<b>Sadamitsu Yamauchi</b>	Managing Executive Officer, Process Dept., Seismic Isolation Headquarters
Managing Executive Officer	<b>Masato Wada</b>	President, TANKEN SEAL SEIKO CO., LTD.
Executive Officer	<b>Masaki Shibaiki</b>	General Manager, Production Headquarters
Executive Officer	<b>Toyokazu Serita</b>	General Manager, Sales Headquarters and 1st Sales Dept.
Executive Officer	<b>Masaru Fujiwara</b>	General Manager, Production & Engineering Headquarters and Fukuchi-yama Factory
Executive Officer	<b>Kazukiyo Teshima</b>	General Manager, Engineering Headquarters
Executive Officer	<b>Tomotaka Nakagami</b>	Director, TANKEN SEAL SEIKO CO., LTD.

## Corporate Governance System



### ① Advisory Committee

As advisory bodies to the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee, which are voluntary committees, have been established to strengthen the supervisory function of the Board of Directors and enhance the corporate governance system by ensuring the transparency and objectivity of the assessment and decision-making process regarding the nomination and remuneration of directors. Each committee comprises at least three directors selected by the Board of Directors, and the majority of members are independent outside directors.

#### Nomination Advisory Committee (3 or more directors)

The Nomination Advisory Committee deliberates on matters pertaining to the composition of the Board of Directors, appointment and dismissal of directors, and other matters, and reports to the Board of Directors.

#### Remuneration Advisory Committee (3 or more directors)

The Remuneration Advisory Committee deliberates on matters pertaining to the remuneration structure for directors, policies for determining their remuneration, contents of remuneration, and reports to the Board of Directors.

### ② Board of Directors

Four outside directors (two who are not members of the Audit & Supervisory Committee and two who are members of the Audit & Supervisory Committee) have been invited to sit on the Board of Directors, which meets regularly, and their opinions are sought based on their wide-ranging knowledge and experience in order to further raise the quality and transparency of management decisions and strengthen oversight. The schedule for board meetings is provided to outside directors in advance and their attendance is coordinated.

### ③ Audit & Supervisory Committee

Nippon Pillar Packing changed its legal format to a company with an Audit & Supervisory Committee upon approval by the Ordinary General Meeting of Shareholders on June 23, 2017. The Audit & Supervisory Committee comprises three directors who are Audit & Supervisory Committee members (including two outside directors) and is convened on a regular basis. Information and opinions are exchanged among the directors who are Audit & Supervisory Committee members and efforts are made to improve management oversight.

### ④ Committee

#### 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.

#### Internal Control Assessment Committee

The Company has established the Internal Control Assessment Committee in response to the internal control system for financial reporting and promotes the evaluation and operation of the internal control system in the Group.

#### Corporate Ethics Committee

This Committee was established to discuss how to respond to any event that violates legal compliance or corporate ethics.

#### Disclosure Committee

This Committee was established to review and deliberate disclosures related to the Company's material information.



## Nomination of Candidates for Board of Directors

The appointment of directors will be considered in light of the scale of the Company's business, the human talent capable of adequately fulfilling their roles and responsibilities toward achieving the One2025 medium-term management plan, and the diversity of Company directors. In nominating directors, the Board of Directors selects individuals with diverse perspectives, work experience, and a high level of skills sufficient to supervise and audit the execution of business operations, and nominates those individuals after deliberation by the Nomination Advisory Committee, a voluntary committee, and, for directors who are Audit & Supervisory Committee members, after obtaining the consent of the Audit & Supervisory Committee, they are each nominated by the Board of Directors and elected at the General Meeting of Shareholders. In dismissing a director, the Board of Directors will decide on the dismissal of a director upon deliberation by the voluntary Nomination Advisory Committee when circumstances make it

difficult for that director to execute their duties, and with the consent of the Audit & Supervisory Committee when that director is a member of the Audit & Supervisory Committee.

In appointing outside directors, in accordance with the Corporate Governance Code (Principle 4-9) and the independence standards stipulated by financial instruments exchanges, and with the consent of the Audit & Supervisory Committee and approval of the Board of Directors of the Company, for the purpose of clarifying the criteria to ensure the independence of independent outside directors, the Company has established the "Criteria for Determining the Independence of Independent Outside Directors." The Company will consider an outside director or candidate for outside director to be sufficiently independent if, as a result of the Company's investigation to the extent reasonably possible, it is determined that the outside director or candidate for outside director satisfies all of the following requirements.

### [Criteria for Determining the Independence of Independent Outside Directors]

1. The person is not currently an executive officer of the Company or its affiliates (below "Company Group") and has never been an executive officer of the Company Group in the past.
2. An outside director who is a member of the Audit & Supervisory Committee must never have been a director or an accounting advisor (or an employee who should perform the duties of an accounting advisor if the accounting advisor is a juridical person) who does not execute operations for the Company Group.
3. None of the following applies at present or in the past three years:
  - (1) A person who is not a relative within the second degree of kinship of an accounting advisor, executive officer, corporate officer, manager, or other significant employee (below "director, etc.") of the Company Group.
  - (2) Not be a major shareholder of the Company (directly or indirectly holding 10% or more of the voting rights) or a director, etc. thereof, or a director, etc. of a company in which the Company Group is a major shareholder.
  - (3) Not be a director, etc. of a company that is a major business partner of the Company Group (a company whose payments or receipts from transactions with the Company Group account for 2% or more of actual consolidated sales of the Company Group or our business partners' group).
  - (4) Must not have received donations of 10 million yen or more from the Company Group in the current fiscal year.
  - (5) Not be a lawyer, certified public accountant, or professional service provider such as a consultant that receives more than 10 million yen in remuneration from the Company Group in the current fiscal year, other than remuneration as a director or corporate auditor.
  - (6) There must be no relationship of "reciprocal appointment of outside officers" between the company to which the individual belongs as a director, etc., and the Company Group.

## Assessing the Effectiveness of the Board of Directors

In order to further improve the effectiveness of the Board of Directors, in fiscal 2021, the Company carried out a questionnaire survey of each director regarding "composition and operation of the Board of Directors," "management strategy and business strategy," "corporate ethics and risk/crisis management," "performance monitoring and management assessment," and other issues, analyzed and assessed the effectiveness of the Board of Directors, and the results were shared and discussed at the Board meeting.

As a result, the Board of Directors of the Company was generally assessed positively, with an improvement in effectiveness compared to the fiscal 2021 results, and in particular, is composed of directors with the necessary skills and diversity based on the Company's

management strategy and other factors. On the other hand, there were some opinions calling for an increase in the number of meetings of the Board of Directors and for more deliberations on initiatives for a digital transformation, which we will consider in the future.

In addition, based on the effectiveness assessment to date, in order to further invigorate deliberations at the Board of Directors meetings, in fiscal 2022, we held a Board of Directors meeting at the Kyushu Factory, one of our main factories, and provided opportunities for inspection visits and reports by the heads of operational divisions on the status of their efforts toward the business plan. We will continue to make further improvements in operations.

## 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 net 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 net 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 ending March 31, 2022, consolidated net sales were 134.7% of the previous year's level, and similarly, consolidated operating income was 235.0% of the previous year's level. The consolidated operating margin was 145% and ROE was assessed at 200%.

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 an AA rating.

Officer classification	Total remuneration, etc. (Millions of yen)	Total remuneration, etc. by type (Millions of yen)			Non-monetary remunerations	Number of officers
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses		
Directors (excluding Audit & Supervisory Committee members and outside directors)	182	63	94	—	24	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	4	4	—	—	—	1
Outside officers	15	15	—	—	—	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 24 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

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 our 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/>



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
Individual IR for analysts	136	Briefing on business description, financial results, initiatives, etc. for institutional investors and securities analysts whenever necessary
Company briefings for individual investors	4	Briefing on business description, business model, shareholder returns, etc. for individual investors



## 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.

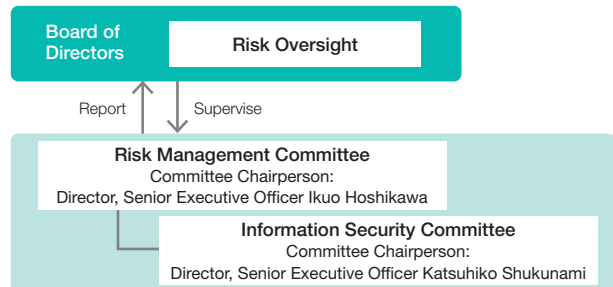
Through this Committee, the Company identifies, analyzes, and assesses the material risks associated with its business activities, and formulates and reviews countermeasures against these risks after confirming the status of countermeasures against these risks, such as avoidance, mitigation, relocation, 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 departments, 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
Resource and infrastructure risks	(5) Procurement of raw materials and price trends
	(6) Information security
Human resources risk	(7) Human resources
Legal risks	(8) Violation of laws and regulations
Natural disaster and other risks	(9) Infectious diseases
	(10) Natural disasters, etc.
Other risks	(11) 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 our subsidiaries through procedures such as approvals, decisions, and reports from subsidiaries in accordance with the Affiliate Management Rules. However, 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 Department periodically conducts internal

audits of each subsidiary company. In addition, for our overseas subsidiaries, we have prepared a Management Book that compiles guidelines and past examples to prevent management risks that may occur at overseas locations and minimize damage when risks do emerge, 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. In addition to a unified internal hotline for all Group employees and directors in Japan and overseas, we have established and operate an external hotline for direct consultation with a legal advisor. In the event of a violation of laws and regulations or an event that violates corporate ethics, the Company responds promptly through convening the Corporate Ethics Committee. In addition, there were three whistleblower cases in fiscal 2022, all of which were handled appropriately.

## 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

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.

# Stakeholder Engagement

The Nippon Pillar Packing 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
<b>Customers</b>	High quality Safety Aftersales service Fair prices Innovation	<ul style="list-style-type: none"> <li>• Customer request cards</li> <li>• Customer satisfaction survey</li> <li>• Disclosure of information on our website</li> <li>• Inquiry form on our website</li> </ul>	Product information 
<b>Business partners</b>	Fair and transparent business dealings CSR procurement	<ul style="list-style-type: none"> <li>• Procurement policy briefing</li> <li>• CSR Procurement Guidelines</li> <li>• CSR procurement questionnaire</li> </ul>	Purchasing information 
<b>Employees</b>	Respecting human rights Diversity Safe and comfortable work environment Health management	<ul style="list-style-type: none"> <li>• In-house magazine, intranet</li> <li>• Interviews</li> <li>• Whistleblower hotline</li> <li>• Stress checks</li> <li>• Engagement survey</li> <li>• Rank-specific training</li> <li>• Health and Safety Committee</li> <li>• Labor-management talks</li> </ul>	Social Initiatives  P44 – P47
<b>Shareholders/Investors</b>	Corporate value enhancement Appropriate stock price Timely and appropriate supply of information Shareholder returns	<ul style="list-style-type: none"> <li>• General meeting of shareholders</li> <li>• Financial results briefing</li> <li>• One-on-one, small meetings</li> <li>• Briefings for individual investors</li> <li>• Shareholder newsletters and integrated reports</li> <li>• Supply of information through IR information pages</li> <li>• Supply of information to ESG evaluation organizations</li> </ul>	IR Information 
<b>Local communities</b>	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"> <li>• Social contribution activities</li> <li>• Career education</li> <li>• Internships</li> <li>• Factory tours</li> </ul>	P48
<b>Global environment</b>	Global environmental conservation	<ul style="list-style-type: none"> <li>• Development of energy-saving and carbon-neutral products</li> <li>• Environmental considerations at the manufacturing stage</li> <li>• Compliance with environmental laws and regulations</li> <li>• Environmental education</li> </ul>	Environmental Initiatives  P49 – P52



Society

# Human Capital (HR Strategy)

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

The Company 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

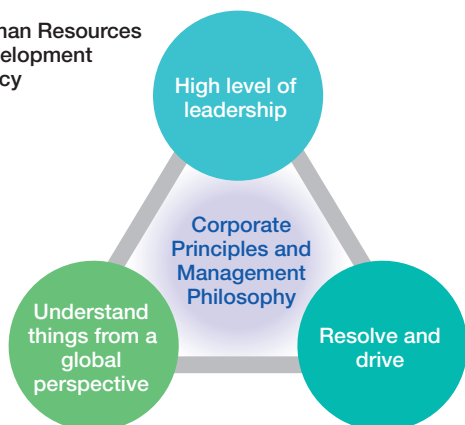
- People who can face up to difficulties and challenges independently and accomplish things with integrity, with the corporate principles and management philosophy as action guidelines
- People who can identify their own department’s and their own role in achieving high goals, and who can elevate the 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 corporate principles and management philosophy, 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 improvement 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

We are working to improve the linkage between management strategy and human resources strategy to enhance the quality of human resources and to reform organizational culture.

### Human Resources Strategy in the New Medium-Term Management Plan: One2025

Under the new medium-term management plan, it is extremely important to achieve priorities in the area of human resources, such as the 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 in order to attain further growth and fulfill our management strategy. 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. We will continue to accelerate our efforts to invest in human capital so that our most important management capital, human resources, can autonomously take up new challenges and feel fulfilled and comfortable in their work, as we aim to become the number one company in human resources development, as stated in the basic philosophy of the new medium-term management plan.

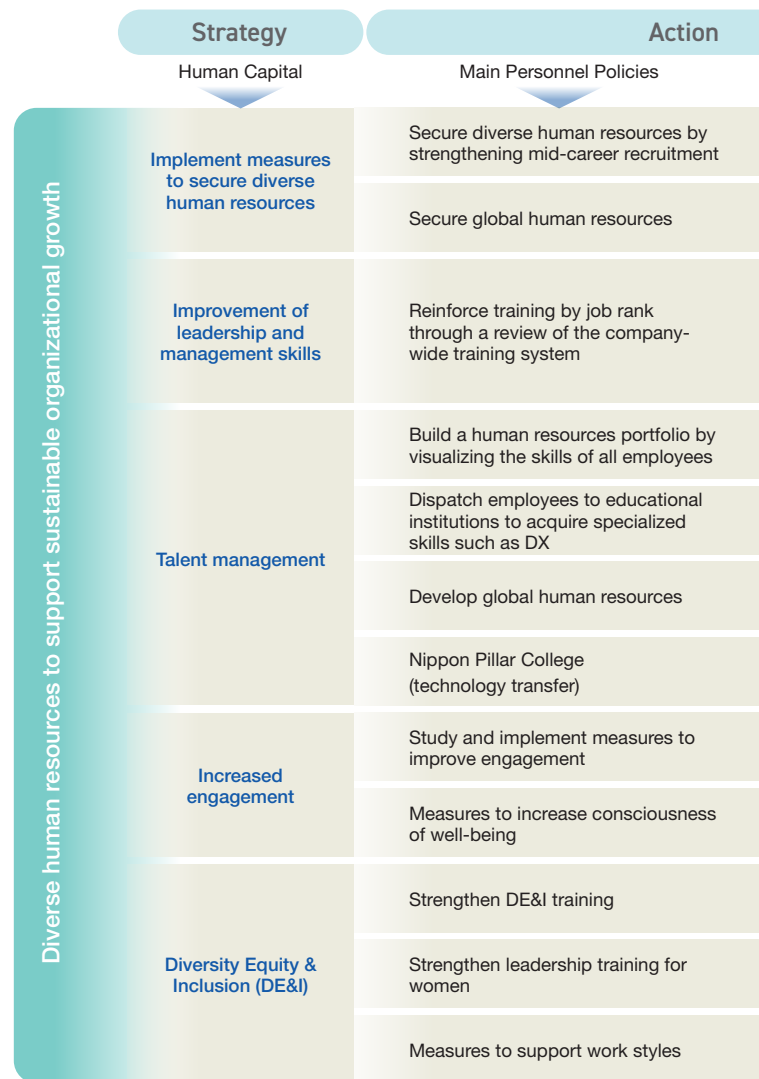
#### Securing Diverse Human Resources

The Group plans to make Tanken Seal Seiko a Group company and to start operating the Fukuchiyama Second Factory in the fall of 2023. In addition, we will rapidly expand our overseas business by opening new bases and other measures in the new medium-term management plan. In addition to the rapid expansion of the Company's scale, measures to secure human resources are extremely important in order to meet the Company's business strategy of creating new businesses such as launching next-generation batteries, hydrogen, thermal storage, and other products, thus the Company will 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 the management and leadership skills of the entire Group as well as the professional skills of each individual. We will improve the quality of human resources and organizational capabilities by implementing training programs and management and leadership education for each generation, and by visualizing the skills of all employees through the use of digital tools.

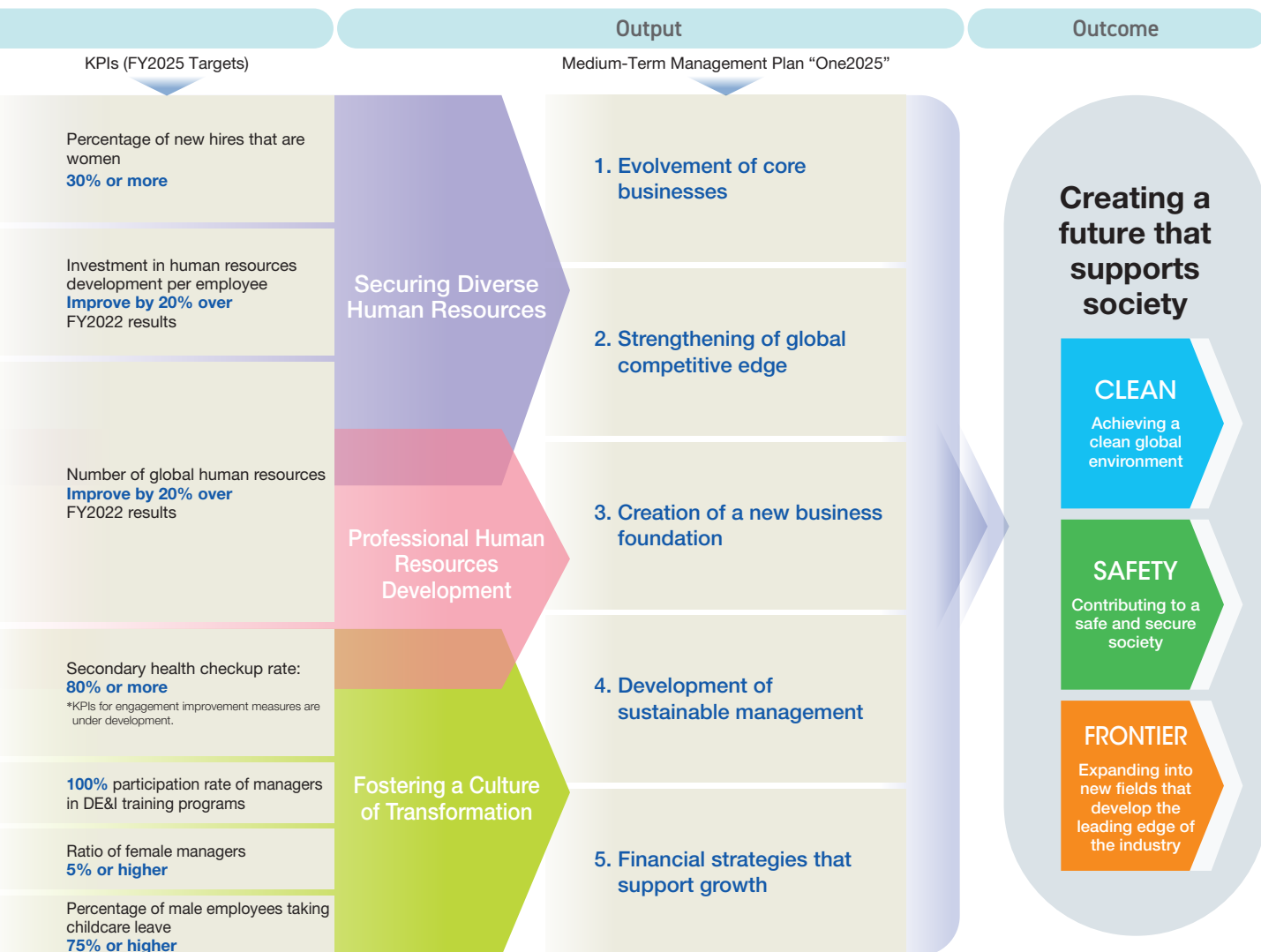
We have newly defined the requirements for global human resources to strengthen our global competitiveness. In addition to training expatriate staff and management to improve their management skills, we will accelerate localization measures that promote executives and management from national staff to local subsidiaries, thereby strengthening our global human resources system.



#### Fostering a Culture of Transformation

We aim to create an organizational culture in which each and every employee autonomously takes on challenges and leads in transformation. In addition to continuing measures to encourage taking on challenges and making changes, we remain conscious of well-being and promote health management and work-life balance measures in order to create a safe and secure work environment. We also identify employee strengths and sources of motivation, identify personnel and organizational issues, and study and implement measures to improve engagement.

Mid-career hires account for more than 40% of our management positions, and we have a culture that accepts others and fosters change. We will continue to promote Diversity, Equity & Inclusion (DE&I) and other measures to foster a work environment conducive to change.



### Employee Interviews



Group photo taken at a training session in Japan for overseas local employees. Ms. Arta is at center.

### The joy of making a contribution to society through Pillar's technology

I was actively involved in the preparation to establish a representative office in Indonesia in 2019, and the trust my boss had in me at that time increased my confidence in my ability to contribute more to the Company, which positively impacted my own skill level.

Pillar has always been like a family to me, and I practice the corporate principles of harmonious cooperation. Pillar's technology contributes to global environmental sustainability and helps society through business; I am happy to be a member of the Nippon Pillar Packing Group.

PT.Nippon Pillar Indonesia **Arta Mustika Marpaung**

## Establishment of the Group Human Rights Policy

In order to create a future that supports society, we respect the diversity of our human resources and create new values for a sustainable society based on the idea that new ideas never seen before are created by a diversity of values. In this context, we established the Group Human Rights Policy based on the Group Code of Conduct in order to clearly define our approach to human rights in conducting business in countries

and regions around the world. We will actively fulfill our responsibility to respect human rights for all people through the concerted efforts of all Group executives and employees to promote respect for human rights.

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 non-Japanese human resources, and developing internal systems that allow people with disabilities to play an active role.

In fiscal 2022, the percentage of female managers was 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. In addition, to support male participation in childcare, we aim to encourage male employees to take childcare leave. 22.7% of male employees took childcare leave in fiscal 2022. 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 2023” 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. In recognition of these efforts, the Ministry of Economy, Trade and Industry and the



Japan Health Council jointly implemented a certification system for excellent corporations for health and productivity management, and we were recognized as an Excellent Corporation for Health and Productivity Management 2023 in the large corporation category as a “corporation that takes a strategic approach to employee health management from a business perspective.”

### [BTvision22 Initiatives and Major Achievements]

#### Human Resources Strategy

- Revision of personnel system
- Review of education and training system
- Strengthening of recruitment of new graduates and mid-career hires
- Diversity Equity & Inclusion (D&I)
- Formulation of Health Management Declaration

#### Major Achievements (FY2022)

- Education and training expenses **More than 25% YoY**
- Number of mid-career hires **4 times increase YoY**
- Ratio of female managers **3.0%**
- Percentage of mid-career hires in management positions **45.2%**
- Percentage of male employees taking childcare leave **22.7%**
- D&I training for managers (department managers and above) **100% attendance**
- Ratio of employees with disabilities **2.54%**
- **“Excellent Corporations for Health and Productivity Management 2023” Certification**

For more details, see KPIs (FY2025 Targets)

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## 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.

In addition, we continue to implement hazard prediction activities and have the President visit each factory to inspect the site. In addition, each factory publishes Health and Safety News to raise employee awareness of safety. Moreover, the Health and Safety Committee members conduct on-site inspections to assess the level of danger 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.

## 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. We also hold procurement policy briefing sessions for suppliers as part of measures to ensure smooth procurement activities, providing information on the initiatives of each business, production overview, and future production plans among other topics. In fiscal 2022, the sessions were held remotely, as in the previous year, to prevent the spread of COVID-19.

In consideration of the expansion of ESG-related investments and global procurement, we will also appropriately address issues surrounding supply chain management, which is an important issue for both companies and our stakeholders. We recognize that social issues such as conflict minerals and violations of fundamental human rights pose serious problems in our supply chain, and we

Purchasing information (PILLAR Basic Procurement Policy)

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



do not purchase any mineral or textile raw materials of concern. These issues related to supply chain management cover a wide range of areas, including the environment, human rights, quality, business practices, and disaster response. In order to appropriately manage and respond to these risks, we have revised and are implementing the PILLAR CSR Procurement Guidelines, a group procurement policy that outlines our Procurement Policy and CSR Procurement Standard. Moreover, in order to understand the status of our suppliers' CSR activity systems, compliance with laws and regulations, human rights, and environmental conservation, we conducted a questionnaire on CSR procurement with 111 major suppliers, representing approximately 95% of our transaction value in fiscal 2022, and obtained a 100% response rate. We will conduct educational activities to deepen the understanding of suppliers with whom improvement is desirable.

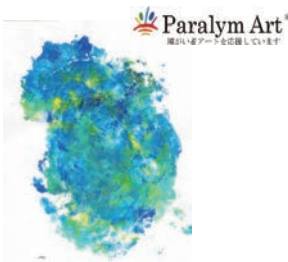
PILLAR CSR Procurement Guidelines

[https://media.nippon-pillar.com/en/pdf/PILLAR\\_CSR\\_Guidelines\\_en.pdf](https://media.nippon-pillar.com/en/pdf/PILLAR_CSR_Guidelines_en.pdf)



## Social Contribution Activities

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



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



Bread sales by social welfare corporation Wakatake Fukushima, multifunctional office for persons with disabilities, Fureai Center "Bakery Working Tamba"



Lecture on career education at Kyoto Prefectural Fukuchiyama High School



Sponsorship of Public Utility Foundation Yamamoto Noh Theater  
Photo courtesy: Yamamoto Noh Theater

# Environmental Initiatives

## Environmental Policy

### Basic Policy

Recognizing that environmental issues are a challenge common to all mankind, Nippon Pillar Packing 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) Continuous improvement activities**

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

**(5) Collaboration and cooperation with stakeholders**

We develop environmental conservation initiatives in cooperation with stakeholders in an effort to meet the expectations of society.

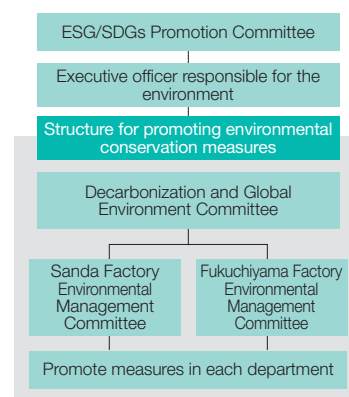
March 1, 2023

## Structure for Promoting Environmental Conservation Measures

Our Sanda Factory obtained ISO14001 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 environmentally conscious 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 ISO14001: 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 assessment results for fiscal 2022, and we were recognized for our efforts related to energy

conservation in our clean rooms, paperless operations, and multi-functional operations. 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.

## 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.

### Governance and Risk Management

Basic policies and important matters related to climate change are discussed and decided by the ESG/SDGs Promotion Committee and 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.

Related website

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



### 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

	Risks	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

	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 <sub>2</sub> 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 social issues
	Demand for products related to seawater desalination and purification	Long term	

### Indicators and Targets

Greenhouse gas	Sales of products that help create a decarbonized society	In-house carbon pricing
<p><b>CO<sub>2</sub> Emission Reduction Targets</b> (Consolidated/Scope 1+2) (compared to FY2013)</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>FY2025 Reduced by <b>25%</b></p> </div> <div style="text-align: center;"> <p>FY2030 Reduced by <b>50%</b></p> </div> <div style="text-align: center;"> <p>FY2050 Virtually <b>zero</b></p> </div> </div>	<p><b>Sales Targets for FY2030</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Energy-saving products Approx. <b>4</b> billion yen</p> </div> <div style="text-align: center;"> <p>Carbon neutral products Approx. <b>2</b> billion yen</p> </div> </div>	<p>Introduced an internal carbon price system and operated it as one of the investment indices related to energy conservation and energy creation, etc.</p> <p><b>9,200 yen/t-CO<sub>2</sub></b> (as of October 2021)</p>

## Decarbonization and Energy Saving

### Development of Products with Reduced Environmental Impact

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. In order to meet the future needs of the market for energy-saving business activities and the utilization of clean energy, we have selected ① energy-saving products (e.g., new type of fitting, Sweep Elbow, for semiconductor manufacturing equipment) and ② products contributing to carbon neutrality (e.g., seals for hydrogen power generation and plastic fittings for EVs), and we aim to expand the scale of sales by using the sales amount of these products as an indicator.



### Reduction of CO<sub>2</sub> Emissions

We are promoting efforts to reduce CO<sub>2</sub> emissions to virtually zero by fiscal 2050. As a result of energy-saving measures including the use of LED lighting, the introduction of solar power generation equipment for internal consumption, and the adoption of CO<sub>2</sub>-free plans, our consolidated Scope 1+2 results for fiscal 2022 were 10,899 t-CO<sub>2</sub>, a 9.8% decrease from the base year of fiscal 2013.



Solar power generation for internal use (Sanda Factory)

### Response to CDP

For the first time in 2022, we disclosed information through the CDP questionnaire and received a B- (management level) rating in the Climate Change Report 2022.

The CDP is a non-governmental organization (NGO), established in 2000 and controlled by a British charity, which works to promote corporate environmental disclosure at the request of institutional investors and purchasing companies around the world. In 2022, more than 18,700 companies, representing half of the world's market capitalization, disclosed information through CDP.

### Scope 3 Calculation

In order to ascertain greenhouse gas emissions not only from our own operations but also from our supply chain as a whole, we have begun calculating emissions from our suppliers, customers, and other activities (Scope 3) in addition to emissions from our corporate activities (Scope 1+2).

We will continue to perform Scope 3 calculations and work to expand the scope of calculations and improve the accuracy of calculated values, leading to more efficient and effective emissions reductions.



### FY2022 Scope 3 Breakdown

	(t-CO <sub>2</sub> )
Category 1	66,314
Category 2	3,259
Category 3	2,250
Category 4	1,164
Category 5	252
Category 6	245
Category 7	1,211
Category 8	0
Category 9	1,996
Category 10	3
Category 11	71
Category 12	7,665
Category 13	156
Category 14	0
Category 15	0
<b>Total</b>	<b>84,586</b>



## 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 2022, although the amount generated increased due to an increase in orders, efforts to reduce the

defect rate, eliminate paper cups, and recycle corrugated cardboard resulted in generally stable results. 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 record-keeping 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

In response to the growing risk of water shortages worldwide, we are working to reduce our water consumption. In fiscal 2022, we focused on water conservation activities, but the volume of water withdrawal increased by 4.2% from the

previous fiscal year to 122,000 m<sup>3</sup> due to an increase in orders. In fiscal 2023, we will continue our efforts with a reduction target of 19,000 m<sup>3</sup>.

### 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 new 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	Decree number	FY2018			FY2019			FY2020			FY2021			FY2022		
		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* <sup>1</sup>	80	1,980	11	110	1,801	11	56	1,432	7	12	983	5	17	1,211	6	18
Chromium and trivalent chromium compounds	87	4,067	0	4,100	3,630	11	2,500	2,650	0	1,700	2,895	0	2,001	3,583	0	2,388
Methylene chloride	186	29,300	24,800	4,500	34,800	30,800	4,000	57,700	53,000	4,700	109,100	104,000	5,100	114,200	109,200	5,000
1,2,4-Trimethylbenzene* <sup>1</sup>	296	2,282	11	130	2,050	11	40	1,651	8	13	1,002	5	19	1,598	8	23

Xylene, chromium and trivalent chromium compounds, methylene chloride, and 1,2,4-trimethylbenzene are subject to notification under the PRTR Law.

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

(Note) Listed here are substances used 1,000 kg or more annually.

## Financial Summaries

	2012	2013	2014	2015
<b>Consolidated statement of income:</b>				
Sales (consolidated)	18,831	20,720	21,675	22,960
Japan	16,707	17,565	17,647	19,156
Asia	1,458	2,095	2,862	2,565
Others	664	1,059	1,165	1,238
Overseas sales ratio (%)	11.3	15.2	18.6	16.6
Sales (nonconsolidated)	17,634	19,585	20,359	21,665
Operating income	2,393	2,908	3,226	3,469
Operating income margin (%)	12.7	14.0	14.9	15.1
Ordinary income	2,522	3,031	3,447	3,493
Profit before income taxes	2,522	3,031	3,124	3,595
Profit attributable to owners of parent	1,589	1,854	1,986	2,397
Cash flow from operating activities	2,930	3,429	2,957	3,074
Cash flow from investing activities	(494)	(927)	(1,378)	(3,230)
Cash flow from financing activities	(1,088)	(505)	(839)	(1,145)
Cash and cash equivalents	9,409	11,631	12,561	11,132
Capital expenditure	421	597	1,703	1,475
Depreciation	967	924	954	940
<b>Consolidated statement of financial position:</b>				
Total assets	35,731	38,986	41,466	42,164
Property, plant and equipment	11,304	11,254	11,510	13,901
Interest-bearing debt	1,319	1,231	855	539
Net assets	28,629	30,585	33,099	33,905
<b>Per-share indicators:</b>				
Profit (yen)	64	75	80	97
Net assets (yen)	1,157	1,236	1,338	1,387
Dividend (yen)	16.00	16.00	20.00	28.00
<b>Management indicators:</b>				
Equity ratio (%)	80.1	78.5	79.8	80.4
ROA (%)	4.4	5.0	4.9	5.7
ROE (%)	5.7	6.3	6.2	7.2
Payout ratio (%)	24.9	21.4	24.9	28.8

(Millions of yen)

2016	2017	2018	2019	2020	2021	2022
27,225	29,461	30,963	29,213	30,200	40,670	<b>48,702</b>
22,416	23,124	23,904	21,427	21,975	28,254	<b>33,537</b>
3,172	4,528	4,345	5,316	5,721	7,410	<b>8,225</b>
1,637	1,809	2,713	2,470	2,504	5,005	<b>6,939</b>
17.7	21.5	22.8	26.7	27.2	30.5	<b>31.1</b>
25,803	28,091	28,987	26,592	28,368	38,207	<b>45,162</b>
5,166	5,161	5,126	3,683	4,847	11,392	<b>13,842</b>
19.0	17.5	16.6	12.6	16.1	28.0	<b>28.4</b>
5,255	5,156	5,227	3,725	5,094	11,821	<b>14,136</b>
4,609	5,014	5,456	3,653	4,837	11,822	<b>14,587</b>
3,204	3,422	3,719	2,635	3,445	8,285	<b>10,428</b>
3,220	3,752	5,035	4,064	5,676	11,950	<b>6,058</b>
(2,363)	(3,244)	(3,902)	(2,950)	(3,705)	(1,551)	<b>(573)</b>
813	(1,455)	(1,493)	(1,862)	(2,238)	(1,711)	<b>(2,790)</b>
12,729	11,813	11,582	10,798	10,517	19,809	<b>22,284</b>
4,189	3,008	5,110	3,531	972	992	<b>1,751</b>
1,022	1,397	1,718	1,822	2,056	1,991	<b>1,954</b>
49,347	51,539	52,972	53,190	54,949	64,991	<b>72,492</b>
15,493	18,107	20,266	21,971	20,669	20,272	<b>21,124</b>
2,147	1,609	1,082	693	254	350	<b>1,350</b>
36,740	39,834	42,169	43,010	45,776	52,658	<b>59,368</b>
131	140	152	109	145	350	<b>442</b>
1,503	1,629	1,725	1,781	1,937	2,227	<b>2,548</b>
34.00	36.00	45.00	40.00	50.00	106.00	<b>133.00</b>
74.5	77.3	79.6	80.9	83.3	81.0	<b>81.9</b>
7.0	6.8	7.1	5.0	6.4	13.8	<b>15.2</b>
9.1	8.9	9.1	6.2	7.8	16.8	<b>18.6</b>
25.9	25.7	29.6	36.8	34.6	30.3	<b>30.0</b>

## Non-Financial Summaries

	2018	2019	2020	2021	2022
CO <sub>2</sub> emissions (Scope 1+2) (t-CO <sub>2</sub> )* <sup>1</sup>	12,644	10,777	10,785	12,897	<b>10,899</b>
CO <sub>2</sub> emissions (Scope 1) (t-CO <sub>2</sub> )* <sup>1</sup>	917	932	818	807	<b>910</b>
CO <sub>2</sub> emissions (Scope 2) (t-CO <sub>2</sub> )* <sup>1</sup>	11,726	9,845	9,967	12,090	<b>9,989</b>
CO <sub>2</sub> emissions per unit of sales (t-CO <sub>2</sub> /100 million yen)* <sup>1</sup>	40.9	36.9	35.7	31.8	<b>22.4</b>
(Reference) CO <sub>2</sub> emissions of nonconsolidated subsidiaries (Scope 1+2)	10	8	21	34	<b>139</b>
CO <sub>2</sub> emissions (Scope 3) (t-CO <sub>2</sub> )	–	–	–	68,424	<b>84,586</b>
Total energy consumption (kl)* <sup>1,2</sup>	7,322	7,487	7,652	8,197	<b>8,477</b>
Of which, electricity (kl)* <sup>1,2</sup>	6,969	7,138	7,340	7,877	<b>8,103</b>
Of which, gas (kl)* <sup>1,2</sup>	138	137	146	137	<b>140</b>
Of which, fuel (kl)* <sup>1,2</sup>	215	212	166	183	<b>234</b>
Energy emissions per unit of sales (kl/100 million yen)* <sup>1,2</sup>	23.7	25.6	25.3	20.2	<b>17.4</b>
Solar power generation (kWh)	851,256	795,782	847,206	782,897	<b>842,271</b>
Water intake (thousand m <sup>3</sup> )	132	144	140	117	<b>122</b>
Waste generated (t)	778.4	709.7	687.3	884.0	<b>894.7</b>
Volume sold (t)	403.7	336.9	334.5	435.1	<b>439.7</b>
Volume recycled (t)	195.4	216.4	184.4	213.1	<b>207.6</b>
Volume disposed (t)	179.4	140.6	168.4	235.3	<b>247.5</b>
Recycling rate (%)	77.0	78.0	75.5	73.3	<b>72.3</b>
Full-time employees (consolidated basis)	797	809	759	832	<b>867</b>
Temporary employees including contract and part-time workers (consolidated basis)	170	167	175	178	<b>171</b>
Full-time employees (nonconsolidated basis)	531	535	541	551	<b>571</b>
Male employees (nonconsolidated basis)	429	434	438	442	<b>456</b>
Female employees (nonconsolidated basis)	102	101	103	109	<b>115</b>
Overseas employees	120	132	87	127	<b>136</b>
Average age (years)	39.2	39.6	39.6	40.2	<b>40.6</b>
Male (years)	39.5	39.8	39.8	40.4	<b>40.8</b>
Female (years)	38.0	38.9	39.2	39.5	<b>39.7</b>
Average length of service (years)	15.1	15.4	15.3	15.6	<b>15.2</b>
Male (years)	15.2	15.4	15.2	15.7	<b>15.3</b>
Female (years)	15.1	15.3	15.7	15.5	<b>15.0</b>
Ratio of female managers (nonconsolidated basis) (%)	0.0	1.6	2.5	2.2	<b>3.0</b>
Ratio of employees with disabilities (%)	1.40	1.40	1.78	1.69	<b>2.54</b>
Ratio of foreign national employees (%)	0.6	0.4	0.4	0.4	<b>0.8</b>
Paid annual leave usage rate (%)	75.7	70.5	60.3	65.0	<b>72.5</b>
Childcare leave usage rate among female employees (%)	83.3	100	100	100	<b>100</b>
Childcare leave usage rate among male employees (%)	4.3	0.0	13.6	0.0	<b>22.7</b>
Number of new graduates hired	17	18	22	18	<b>13</b>
Ratio of women (%)	29.4	5.6	18.2	27.8	<b>15.4</b>
Number of mid-career hires	14	8	13	10	<b>40</b>
Ratio of women (%)	21.4	25.0	15.4	50.0	<b>27.5</b>
Consolidated employee turnover rate (%)* <sup>3</sup>	4.0	3.9	2.4	3.3	<b>5.2</b>
Nonconsolidated employee turnover rate (%)* <sup>3</sup>	4.3	3.3	2.3	2.7	<b>4.6</b>
Investment in human resources development per employee (thousand yen)	–	53	37	64	<b>79</b>
Number of lost time injuries	0	0	0	0	<b>2</b>
Number of non-lost time injuries	4	7	7	3	<b>3</b>

\*1 The calculation method was revised for fiscal 2022.

Scope: Main body and domestic and overseas consolidated companies; Period: April-March. However, Nippon Pillar Kyushu and NP Sangyo Co., Ltd. are included in the scope of calculation because they are closely related to the main business.

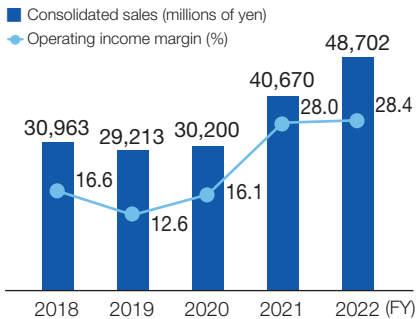
Emission factors: List of Calculation Methods and Emission Factors in the Calculation, Reporting, and Publication System by the Ministry of the Environment, Emission Factors by Electric Utility by the Ministry of the Environment, and CO<sub>2</sub> Emissions From Fuel\_2013 by the IEA

\*2 Crude oil equivalent \*3 Full-time employees only; excluding those reaching mandatory retirement age

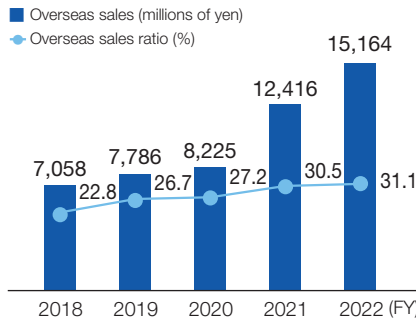


### Financial Indicators

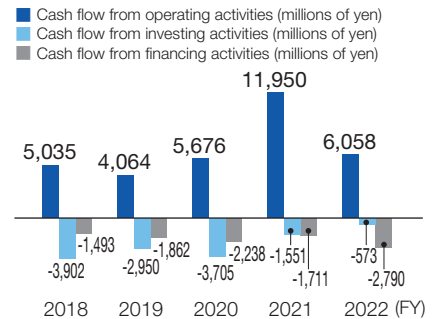
#### Consolidated sales/Operating income margin



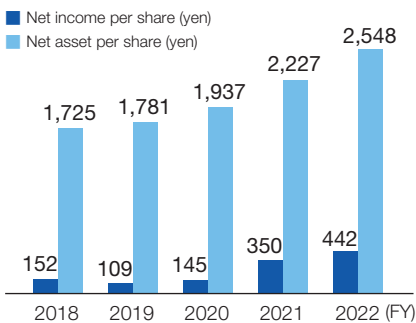
#### Overseas sales/Overseas sales ratio



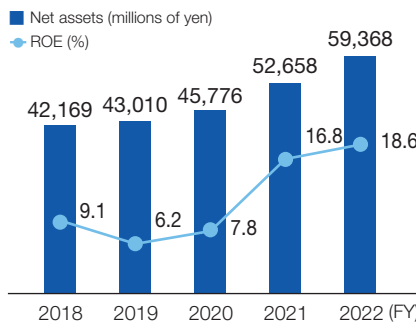
#### Cash flow



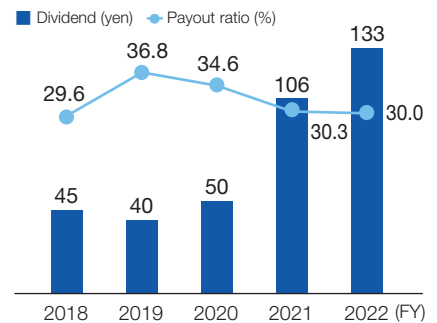
#### Net income per share/Net asset per share



#### Net assets/ROE

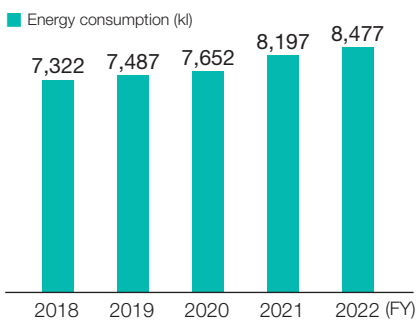


#### Dividend/Payout ratio



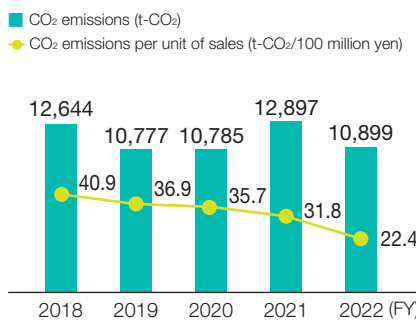
### Non-Financial Indicators

#### Energy consumption



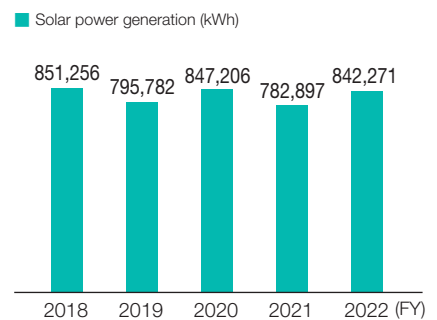
\* Crude oil equivalent

#### CO<sub>2</sub> emissions (Scope 1 + Scope 2)

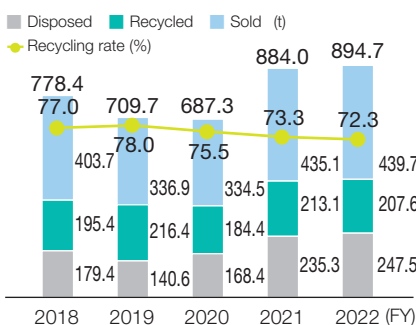


\* Consolidated

#### Solar power generation

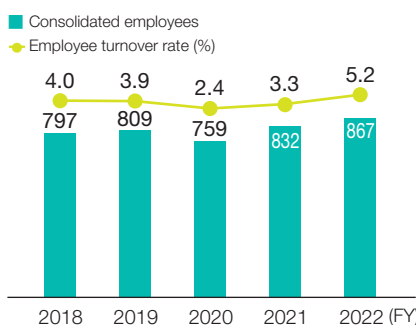


#### Waste generated/Recycling rate



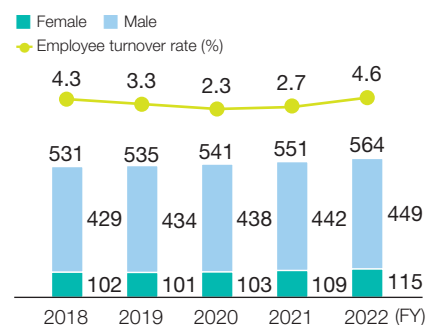
\* Waste for recycling includes scrap metal, fluorocarbon polymers scrap, waste oils, liquids, plastics, and paper  
 \* Recycling rate = (Recycled volume + Volume sold) / Total volume of waste generated × 100

#### Consolidated employees/Employee turnover rate



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

#### Nonconsolidated employees (male and female)/Employee turnover rate



\* 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 ISO9001 and IATF certification.

### ISO Certification

In 1995, the Group became the first domestic seal manufacturer to obtain ISO9001 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.)



### Non-Use of Asbestos

Our products do not use asbestos.

### IATF Certification

In 2019, products for automotive use produced at the following factory have obtained IATF16949 certification, an international quality management system standard for the automobile industry. IATF16949 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 ISO9001, this quality management system incorporates a large number of unique requirements.



IATF Certificate No.0363056

Registered site: Nippon Pillar Packing Co., Ltd. Sanda Factory  
 Scope of certification: Design and manufacturing of gaskets, packing, exhaust system molded products, and fluorocarbon resin substrate

## 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**

## ESG/SDGs Assessment Loan

In the ESG/SDG Assessment Loan by Sumitomo Mitsui Banking Corporation, the Company was judged as having implemented excellent ESG initiatives and information disclosure in its corporate management, including response to climate change, initiatives in environmentally friendly products and services, and consideration for suppliers, and as being highly motivated to contribute to the achievement of the SDGs through our business operations.



## Won the Plunkett Award

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



## 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 March 31, 2023)

Company name	Nippon Pillar Packing Co., Ltd.
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	867 (consolidated)
Main products	Pilafion™ products (fluorocarbon polymers products), mechanical seal products, gland packings and gasket products
URL	<a href="https://www.pillar.co.jp/en/">https://www.pillar.co.jp/en/</a>

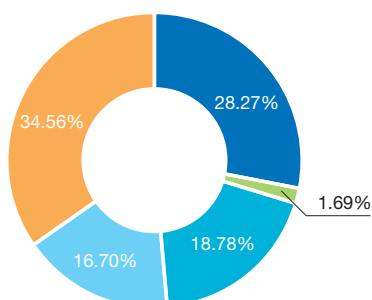
## Status of Shares (As of March 31, 2023)

Total number of shares authorized to be issued	80,000,000 shares
Total number of shares issued	25,042,406 shares
Number of shareholders	17,044 shareholders

## Major Shareholders

Name	Number of shares held (1,000)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,776	11.92
Custody Bank of Japan, Ltd. (Trust account)	1,318	5.66
Nippon Pillar Industry Suppliers Shareholding Association	1,241	5.33
Rockwave Ltd.	1,020	4.38
Kiyohisa Iwanami	742	3.19
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
RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	561	2.41
HSBC BANK PLC A/C M AND G (ACS) (Standing proxy: Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	281	1.21

## Distribution of Shares by Shareholder



Classification	Number of shares held (single share)	Percentage of shares held (%)
Financial Institutions	70,654	28.27
Financial Instruments Firms	4,220	1.69
Other Corporations	46,921	18.78
Foreign Corporations, etc.	41,731	16.70
Individuals and Others	86,374	34.56

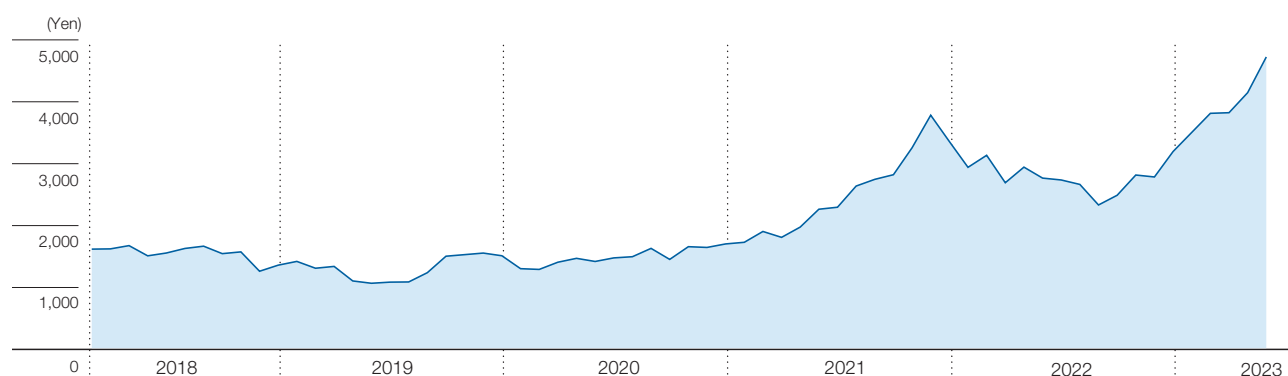
\*1,744,163 shares of treasury stock, 17,441 units of which are included in "Individuals and others" and 63 shares of which are included in "Status of odd-lot shares." All of the 1,744,163 shares of treasury stock are actually held by the Company.

\*1 The Company holds 1,744,163 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





**NIPPON PILLAR PACKING CO., LTD.**