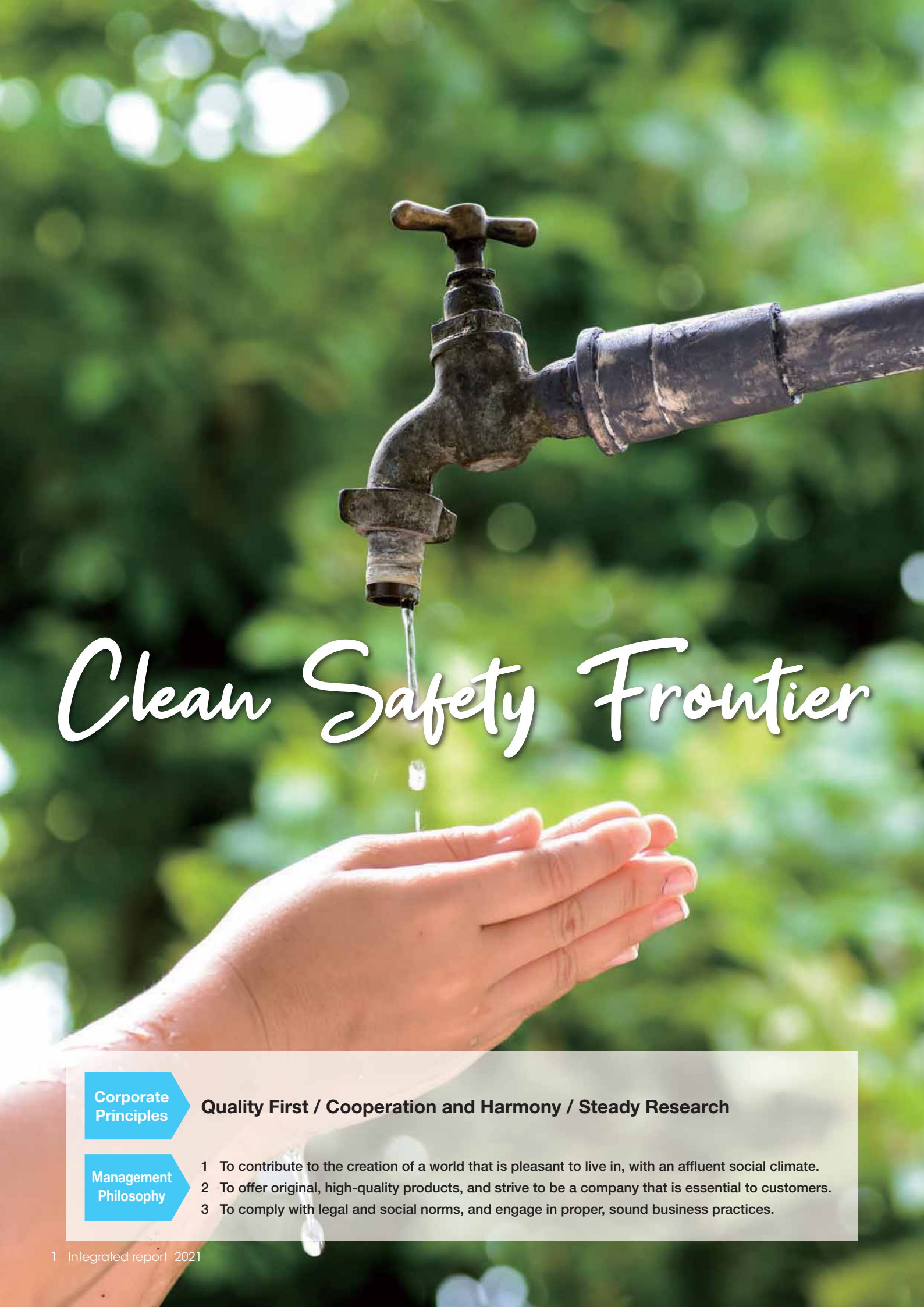
PILLAR

Integrated Report 2021

NIPPON PILLAR PACKING CO., LTD.



Clean Safety Frontier

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.

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 stopping fluid leakage to provide a range of innovative and high-quality products that includes mechanical seals, gland packings, gaskets, and fluororesin products. As indispensable high-performance components, our products are actively used in a wide range of industrial applications that include electric power, petroleum refining, petrochemical production, marine vessels, automobiles, and semiconductors.

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.

In the years ahead, 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

Contents

Environment Social Governance
Guidance for Collaborative Value Creation

Integrated Report 2021 covers fiscal 2020 (April 2020 to March 2021). Some information postdating April 2021 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. The report is intended to enhance communication with stakeholders and also further improve the Group’s initiatives. This report was edited with reference to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry in May 2017.

Reporting period: April 1, 2020 through March 31, 2021
Note: Also includes some information outside of the reporting period.

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

We will continue to provide new value to support society by adapting to the times and looking ahead to the future.

Nippon Pillar Packing will create a future that supports society.
To achieve this goal, we will generate unique value based on the principles of CLEAN, SAFETY and FRONTIER, and take on the challenge of new possibilities.

CLEAN

Minimizing energy consumption and maximizing benefits

For example, we develop gaskets that prevent exhaust gases from leaking from automobile exhaust pipes. Our mechanical seals prevent oil from leaking from pumps in oil refineries. These kinds of technologies for stopping fluid leakage from Nippon Pillar Packing are used in machinery and equipment that are indispensable for our daily lives. This is why we will continue to improve the performance of this technology and make it more widespread, so that we can maximize the benefits of minimizing energy consumption and contribute to a cleaner global environment and resource conservation.

SAFETY

Safety first and peace of mind at all times

In order to continue to be a company that is indispensable to customers and society, safety and high quality are a must. Nippon Pillar Packing has this idea in mind. That is why we are constantly striving to improve the quality of not only our products and solutions, but also our human resources, management, and the company itself. Moreover, we are actively introducing the latest systems to our development and production sites. We are also promoting the creation of a workplace where each employee is energized in pursuit of their work. Our products manufactured in this way contribute to the safe and stable operation of social infrastructures without causing any leakage no matter how severe the conditions.

FRONTIER

Always at the cutting edge and seeking out new fields

Since its founding, Nippon Pillar Packing has been committed to research and development that is one step ahead of its competitors. We have continued to produce innovative and high-quality products, and have always been at the forefront of technologies for stopping fluid leakage. Furthermore, we are actively taking on the challenge of expanding into new fields by utilizing our accumulated technology and know-how. Everything we do is aimed at building a better future. Today, Nippon Pillar Packing continues to accelerate innovation.

Electronic Equipment Business

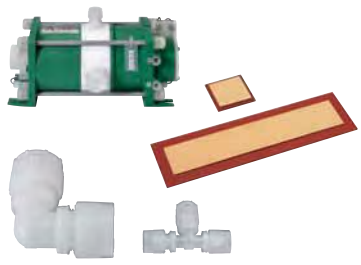
¥20,645 million

68.4%

Gland packing
Gaskets
Mechanical seals

FY2020 sales

¥30,200 million



PILAFLON
Seismic isolator/slide bearing

Industrial Equipment Business

¥9,471 million

31.4%

Electronic Equipment Business

The electronic equipment business is specialized in the high-tech market and focuses particularly on the semiconductor, LCD and medical industries. Fittings, pumps and other components made from fluororesin, which offers high chemical resistance, heat resistance, and cleanliness, are not affected by a diverse range of liquid chemicals, and this allows them to be used in silicon wafer cleaning.

Industrial Equipment Business

The industrial equipment business primarily handles mechanical seal products, which control fluid leakage from rotating equipment like centrifugal pumps that supply fluids, gland packing products, which are used as seal materials for valve stem components, and gasket products, which go between pipes.

Contributing to the safety and security of society and the environment by preventing a wide range of leaks

We are a manufacturer skilled in the design, development, and manufacture of fluid leak prevention and control equipment that prevents the outflow of water, oil, toxic gases and chemicals, and other such fluids.

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.

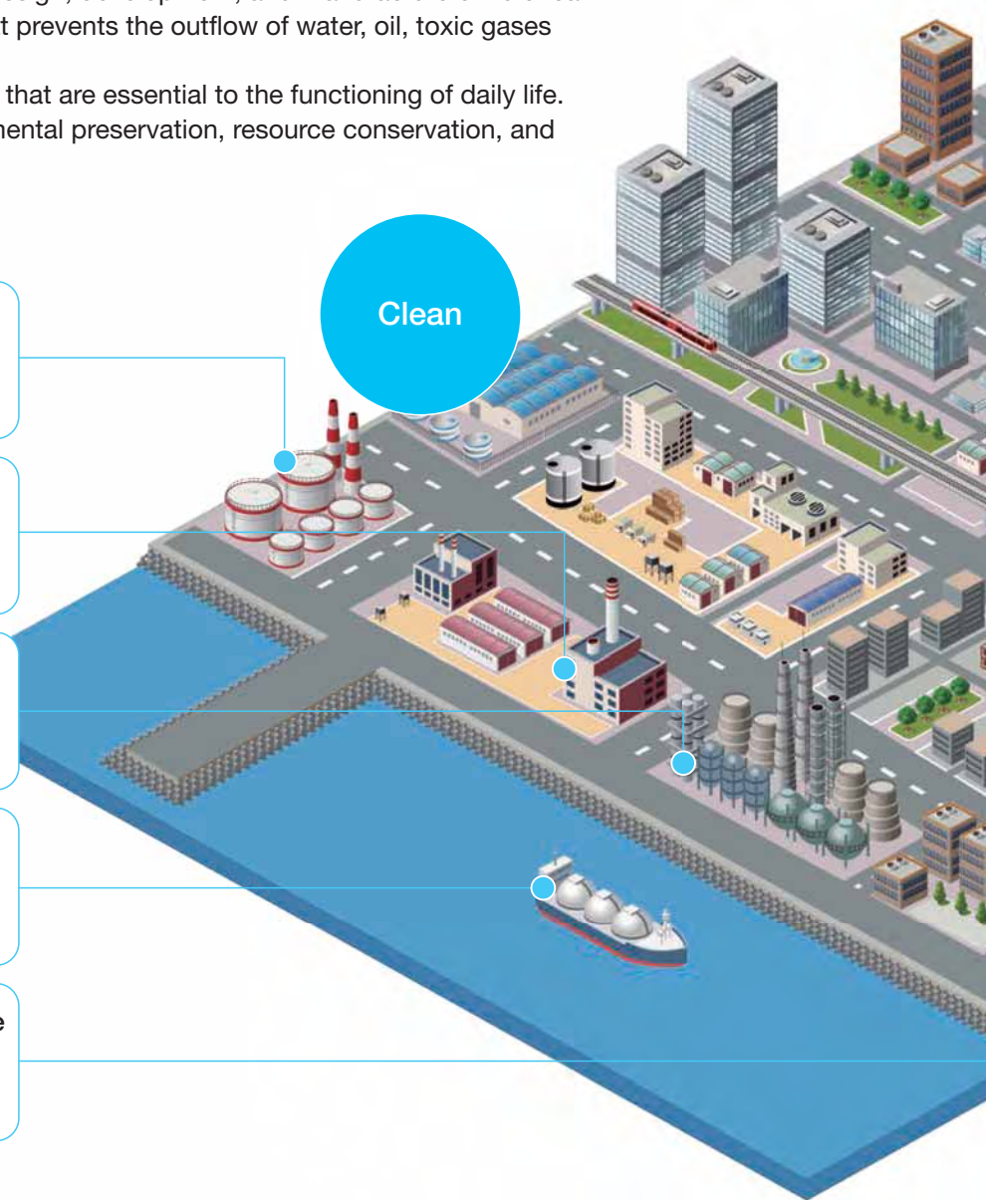
Petroleum Refining & Petrochemicals
Gland packing, gaskets, mechanical seals

Energy & Environment
Gland packing, gaskets, mechanical seals, seismic isolator/slide bearing

Chemicals
Gland packing, gaskets, mechanical seals, circulation

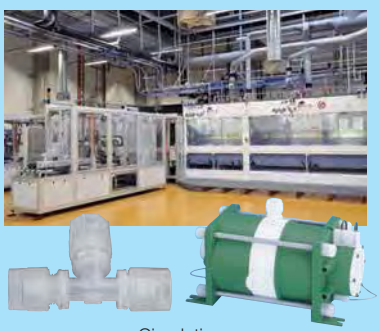
Shipbuilding
Gland packing, gaskets, mechanical seals, seismic isolator/slide bearing

Foodstuffs, Medical Care & Pharmaceuticals
Gland packing, gaskets, mechanical seals, circulation



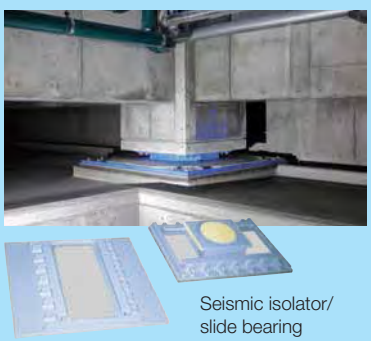
Sample Uses

Semiconductor cleaning equipment



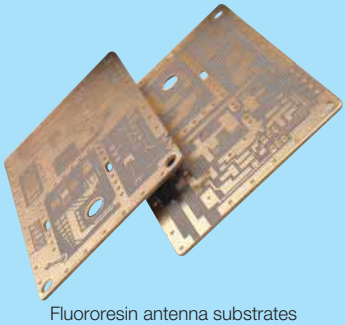
Circulation

Structure fitted with seismic isolators

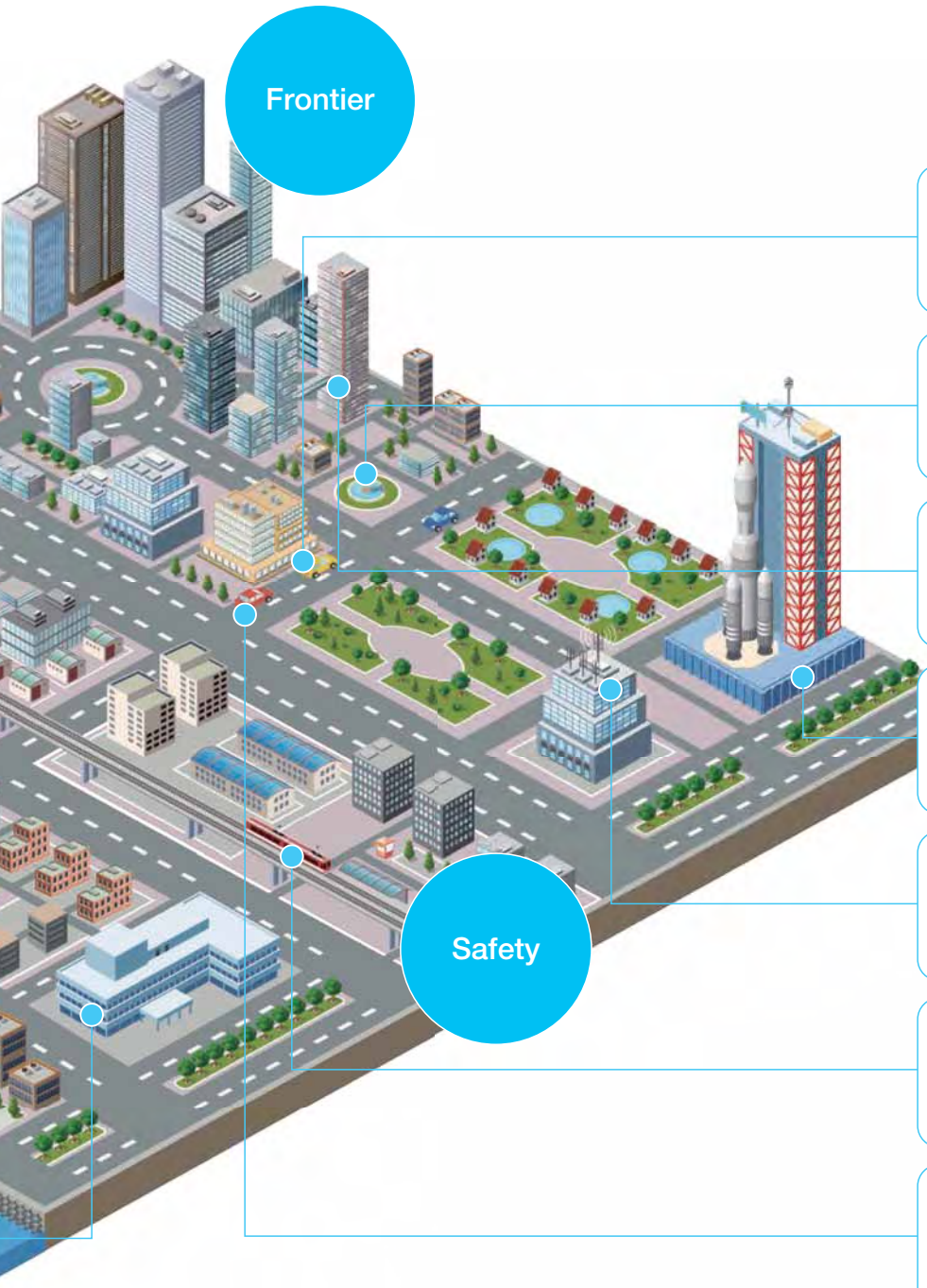


Seismic isolator/ slide bearing

Fluororesin antenna substrates



Fluororesin antenna substrates



Semiconductors
Gland packing, gaskets, mechanical seals, circulation

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

Construction
Gland packing, gaskets, mechanical seals, seismic isolator/slide bearing

Aerospace
Others

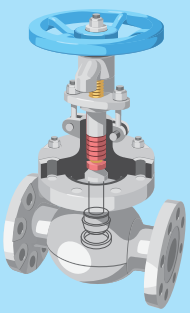
5G Base Stations
Others

Railways
Seismic isolator/slide bearing

Automotive
Gland packing, gaskets, circulation, others

Note: Circulation products for the clean market

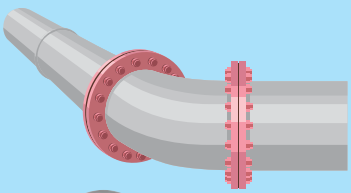
Valves



Gland packing

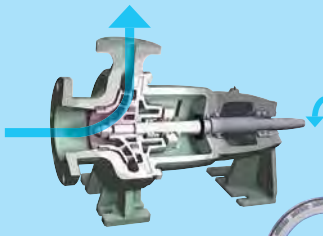
Gaskets

Pipes



Gaskets

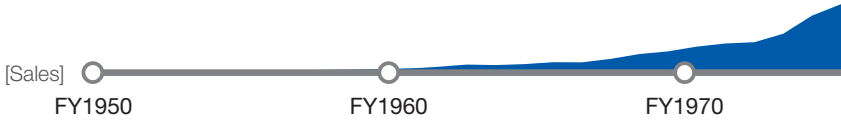
Pumps



Mechanical seals

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
Main needs: Shipbuilding

1940
Main needs: Energy

1980
Main needs: Automotive

Our pathway to meeting the needs of the times

From our founding to the establishment of our production system

1924

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

Founder
Kaju Iwanami

1926

Established a new factory in Yodogawa-ku, Osaka, and began full-scale production of industrial-use sealing packings

1932

Began production of gaskets for automobiles and marine engines

Technological breakthroughs

1948

Reorganized as a joint-stock company and established Nippon Pillar Packing Co., Ltd. with 2 million yen in capital
Opened the Tokyo Branch Office (currently Tokyo Branch)

1951

Developed and began production of a mechanical seal (shaft sealing device), the first in Japan

1952

Developed a vertical gasket for high-temperature, high-pressure pipe flanges Began production of fluorine plastic products (Series name: PILAFLON)

1967

Construction of the Sanda Factory in Sanda, Hyogo, Japan

1969

Became the first JIS-certified factory for spiral gaskets for JIS B 2404 pipes

1970

Developed and commenced production of carbonized fiber, a new alternative material to asbestos

1974

50th anniversary

Establishment of our brand and global expansion

1980

Construction of the head office building
Established Korea Pillar Packing Co., Ltd., as our first joint venture outside Japan

1981

Began production of ISO series mechanical seals

1984

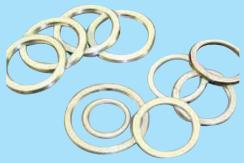
Listed on the Osaka Securities Exchange as a specially appointed brand in the Second Section ("New Second Section")
Started development of fluororesin products for semiconductor manufacturing equipment and launched initial sales of fittings (PILLAR Fittings)

1987

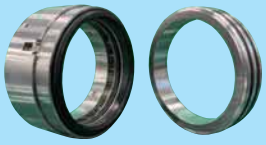
Developed and commenced production of PILLAR Mark III, expanded graphite packing

Generating Value through Product Development

First patented product
Pillar packing



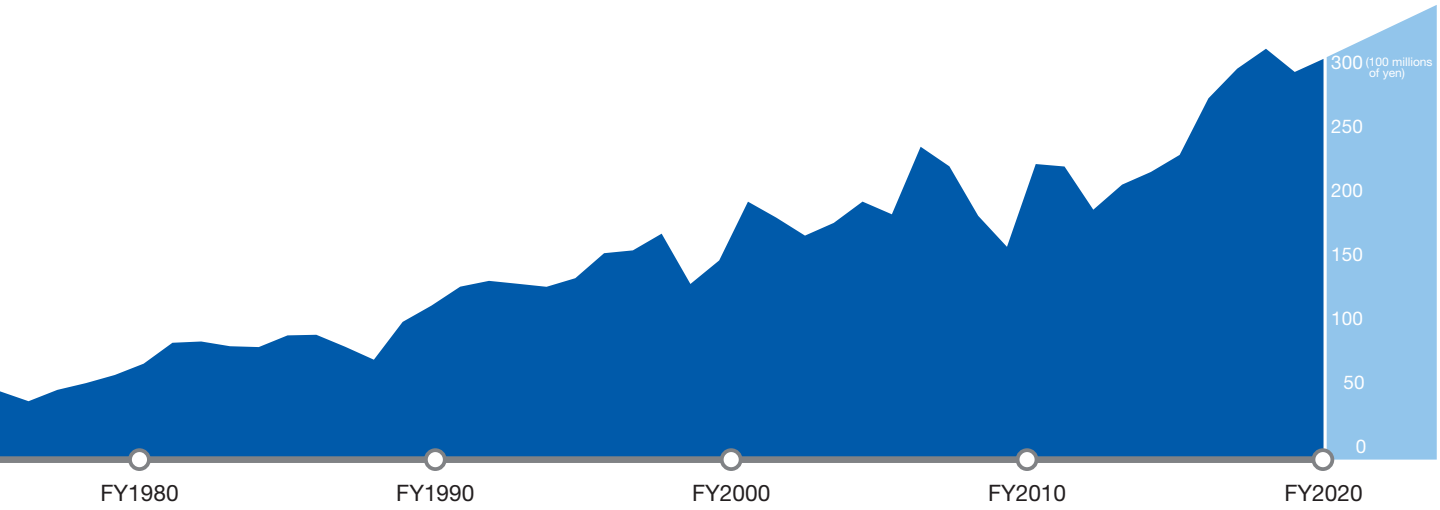
Automotive gaskets

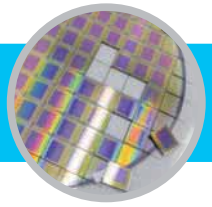


Japan's first mechanical seal

ISO series
mechanical seal

First semiconductor fitting
Pillar fitting





2000

Main needs: Semiconductors

Achieving further globalization and creating new businesses

1989

Construction of the Fukuchiyama Factory in Fukuchiyama, Kyoto prefecture, Japan

1993

Established Nippon Pillar Singapore Pte Ltd. as a sales hub for Southeast Asia

1994

Started full-scale shipments of EDP*, a new packing compliant with the US Clean Air Act

1995

Obtained certification of ISO 9001 registration
Redesignated the company's stock under the Second Section of the Osaka Securities Exchange

1999

Established NIPPON PILLAR CORPORATION OF AMERICA in the U.S.A.
Obtained certification of ISO 14001 registration

* EDP is an acronym for "Emission Defense Packing." It is a type of low-leak, high performance packing with features to prevent even permeation and leaking inside the packing.

2001

Listed on the First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
Established Taiwan Pillar Industry Co., Ltd. in Taiwan

2002

Began production of Super-300 Type PILLAR FITTING with a revolutionary sealing mechanism, the first of its kind in the world

2003

Began production of PILLAR TECHNO BLACK No. 2603-EEE, helping in the conversion to non-asbestos products at an early stage
Established Suzhou Pillar Industry Co., Ltd. in China

2005

Construction of the Kyushu Factory in Koshi, Kumamoto prefecture, Japan

2007

Established Shanghai Pillar Trading Co., Ltd. in China

2012

Began production of a new type of rotary joint for the semiconductor market

2015

Established Nippon Pillar Middle East FZCO in the UAE
Established Nippon Pillar (Thailand) Co., Ltd. in Thailand

2016

Established NPK Fluid Control Systems Mexico S.A. de C.V. in Mexico

2017

Moved the head office to Nishi-ku, Osaka

2018

Established Nippon Pillar Europe GmbH in Germany

2019

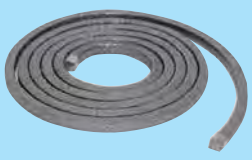
Established PT. Nippon Pillar Manufacturing Indonesia and PT. Nippon Pillar Indonesia in Indonesia

2020

Construction of the new Sanda Factory
Established Pillar Technology (Chuzhou) Co., Ltd. in China

2021

Began operation of Pillar Technology (Chuzhou) Co., Ltd.

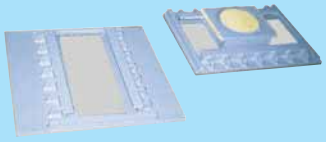


Expanded graphite packing
Pillar Mark III

Pillars Spera 300
Pulsation-free Bellows Pump

Super-300 TYPE
PILLAR FITTING

Pillar EDP® Packing



Pillar UNITON bearings

Nippon Pillar Packing by the numbers

Financial Data

Sales

¥30,200
million

(FY2020)

Operating income

¥4,800
million

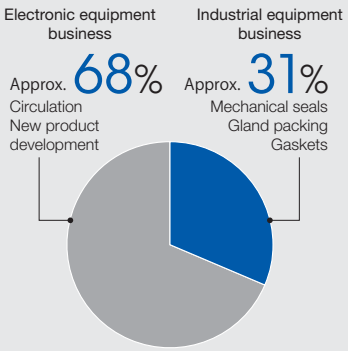
(FY2020)

Growth rate

5.6
%

(Average annual growth rate: FY2015 to FY2020)

Segment sales



(FY2020)

Overseas sales ratio

Approx. 27.2
%

(FY2020)

Pillar fittings: Global market share

90
%

(For semiconductor cleaning equipment)

Net assets/ ROE

¥45,800
million

7.8
%

(As of the end of March 2021)

Net income per share/ Net asset per share

¥145

¥1,937

(As of the end of March 2021)

Dividend/ Dividend payout ratio

¥50.00

34.6
%

(FY2020)

Non-Financial Data

Number of overseas sites

10 countries

14 sites

(Overseas Group companies)

Number of employees

Consolidated

759 employees

Overseas (nonconsolidated)

87 employees

(Full-time employees only, as of the end of March 2021)

CO_2 emissions (nonconsolidated / scope 1 + scope 2)

9,579 t-CO_2

(FY2020)

Recycling rate

74.6 %

(FY2020)

Male-to-female ratio (consolidated)

78:22 %

(As of the end of March 2021)

Paid annual leave usage rate

60.3 %

(FY2020)

Childcare leave usage rate

100 %

(FY2020)

Average length of service

15.3 years

(FY2020)

Unifying the focus of the Company after carefully accommodating societal change

A year has now passed since I took office as president on June 25. My appointment coincided with the emergence of an unprecedented situation created by the spread the COVID-19 pandemic; however, thanks to the support of our shareholders and other stakeholders, we were able to focus our efforts on enhancing our corporate value.

During the past year of our business operations, I came to the powerful realization that the pace of societal change has been accelerating dramatically. Our corporate operations have been significantly impacted by the widespread impact of the COVID-19 pandemic. Markets have been disrupted, and we have had no choice but to transform the way we work, adapting practices that we had been taking for granted. I also get the impression that efforts toward implementing a digital transformation, as well as initiatives to reduce carbon emissions, have quite suddenly come to the forefront.

However, even before the emergence of the COVID-19 pandemic, these changes had been expected to occur eventually, and Nippon Pillar Packing has made no changes to its mission nor to the issues for which it is seeking solutions. By recognizing change as an opportunity and responding quickly, we should be able to provide products that meet market expectations and grow our business. The environment in which our Company operates is expected to continue changing, and those involved in corporate management are required to take the lead in showing the way forward.

Currently, we are focused on disseminating our management policies, goals, and the issues we are facing throughout the Company, including to our overseas bases. As president, I have promoted the tagline “CLEAN, SAFETY, FRONTIER” under the slogan “Creating a future that supports society.” This initiative is intended to clearly demonstrate and instill in our consciousness our Group goals and the direction we should take. Management is meaningful only when it communicates and shares its policies and vision, and when all staff both within and outside Japan understand it and take action leading to results. Although the initiative is still in the midst of being implemented, we will continue to share information that will serve as a guideline for the entire Company and establish a system in which all employees of the Pillar Group can work together to advance the business.

We will never miss an opportunity to grow our market. The trend toward reduced carbon emissions promises to transform our electronic equipment and industrial equipment segments.

Our overall financial results for fiscal 2020 exceeded our results for the preceding fiscal year. Looking at individual segments, our electronic equipment business posted record highs in terms of both sales and profits. On the other hand, our other flagship segment, the industrial equipment business, registered a decline in both sales and profits.

In our electronic equipment business, which accounts for

Becoming a company responsive to a changing society

The impact of the COVID-19 pandemic has sparked rapid changes in society. This situation presents an opportunity for improving our corporate value.

President

about 70% of consolidated sales, we are now addressing two pressing issues: technological innovation and semiconductor supply. Semiconductors now offer significantly higher functionality and greater added value than ever before. In anticipation of technological advances, we intend to focus our research and development on fluid leak prevention and control equipment, which benefits from our expertise in seal technology as well as our unique technologies derived from materials. In light of higher density of semiconductors as a result of technological innovations such as multilayered memory and use of logic ICs, the demand for advanced equipment is also high, so we must develop the capability to respond properly.

With the growing global demand for semiconductors, chip makers are rushing to invest capital for increased production, but we believe that the supply shortage will continue for some time yet. We remain committed to improving the quality of our products, maintaining our cost advantage, and securing a supply sufficient to meet demand so that we do not miss this opportunity to expand our market.

Our industrial equipment business provides high-performance mechanical seals and gaskets to industries as diverse as the electric power, petroleum refining, petrochemicals, and automotive sectors. However, the COVID-19 pandemic has led to sluggish demand for oil, natural gas, and other fossil fuels, which has also affected our business performance. We expect that the tendency to focus on environmental considerations and lower carbon emissions will continue to accelerate, leading to greater progress in the conversion to wind power, solar power, and other forms of renewable energy as well as new sources of clean energy such as hydrogen and ammonia.

However, even as our energy sources are transformed, the role and significance of our products and technologies in preventing and repairing releases of greenhouse gases and environmentally hazardous substances will remain unchanged. At the same time, we intend to contribute to the market and to society at large by developing seal products that accommodate the transition to new forms of energy. We also believe we can further drive the trend away from fossil fuels by providing resin products that contribute to weight reduction for electric vehicles and existing vehicles with internal-combustion engines, thus resulting in reduced consumption of gasoline and other fuels.

Achieving steady progress in five areas through our medium-term management plan, “BTvision22”

We are currently in the second year of “BTvision22,” our medium-term management plan scheduled to conclude in fiscal 2022. In light of the development of the digital transformation and 5G technology, we have made an upward revision of our target for the final fiscal year as a result of growing semiconductor demand. The five basic policies of this management plan are as follows: (1) Enhancing business infrastructure; (2) Achieving further globalization; (3) Creating new businesses; (4) Promoting ESG/SDGs management principles; and (5) Financial strategy. I expand on these five policies below.

(1) Enhancing business infrastructure

To grow our business foundation, it is essential that we develop more advanced solutions for our markets and for our customers. Toward that end, we believe it would be most effective to develop products incorporating our core strengths of sealing technology and material technology. On the other hand, we must dedicate ourselves to developing and providing products focused on clean energy, electric vehicles, and fuel cell vehicles, where technological innovation continues to make progress. In our semiconductor-related businesses, our goal is to identify the supply status of chip makers and respond appropriately to customer needs.

(2) Achieving further globalization

The launch of our "BTvision22" management plan coincided with the emergence of the COVID-19 pandemic. As a result, we have become used to communicating with our business locations and customers outside Japan through online conferencing technology. Online meetings also allow for the minimum amount of dialogue required, but much more can be learned from actually visiting the local area.

Despite this situation, we are promoting measures to expand our overseas locations. For example, in China, we established offices in Suzhou, but since the Chinese market has grown in terms of both quantity and quality, these facilities have become cramped. We thus established a production base on a site in Chuzhou that is about double the size. On the other hand, we have decided to withdraw from the market in India, as the business environment has been deeply impacted by the spread of the COVID-19 pandemic, which has not subsided. As for our other businesses outside Japan, risk and return are two sides of the same coin. So, we will take action to maximize returns within the range of acceptable risks.

(3) Creating new businesses

The technology possessed by Nippon Pillar Packing is embodied within a wide range of products that serve all customers across many markets. We intend to realize our full potential by adding third and fourth flagship segments to bolster our existing twin segments of electronic equipment and industrial equipment. Specifically, we are continuing our research and development on candidate technologies in 5G-related fields such as communication antenna substrates utilizing the characteristics of fluororesins, electric vehicles, and clean energy fields such as hydrogen utilizing our fluid leak prevention and control technology.

(4) Promoting ESG/SDGs management

By offering sealing products such as fittings and gaskets providing high performance and safety without leaking fluid, we are contributing to protection of the atmosphere and the rest of the environment while safeguarding human health and maintaining quality of life. Viewing the situation from an ESG/SDG perspective, we must raise awareness of our initiatives and future efforts both inside and outside the company in order to contribute to the emergence of a society committed to sustainability and prosperity. We established our ESG/SDGs Promotion Committee in April 2021 to promote sustainable management, and I have taken the lead as chairman.

(5) Financial strategy

Our BTvision22 includes a basic policy of providing a minimum dividend payout ratio of 30% and is focused on responding to the demands of investors. We will also acquire treasury shares in a timely manner while maintaining a balance of growth investments. We intend to focus our investor relations activities so that shareholders and other stakeholders gain an accurate understanding of our business strategy and corporate value.

Becoming a better company through repeated testing of hypotheses

Our goal, which is encompassed within BTvision22, our medium-term management plan, is to become a better company, though admittedly this is a rather abstract objective. In order to achieve this goal, it is essential that we make progress by achieving our objectives one step at a time. However, because we are unable to respond to sudden changes if we are caught up looking only at what is in front of our eyes, we must cultivate a "compound-eye" field of view capable of viewing the foreground and the horizon at the same time. In other words, we must securely implement both single-year and medium-term management plans. I trust all our employees remain aware of the need to always observe society and markets and test their hypotheses to confirm their validity. By repeatedly testing our hypotheses, we can foresee changes and respond to the needs of a changing society, thus meeting our goal of becoming a better company.

At the same time, we will strive to provide shareholders with appropriate and easy-to-understand information by disclosing the initiatives and business activities we are pursuing in order to increase our corporate value.

Contributing to the emergence of a society committed to sustainability by providing high-performance products offering greater added value

Message from the CFO

Establishing a firm foundation for the next 100 years

Through innovative products and ESG-focused management, we aim to become a company valued worldwide.

Director, Senior Executive Officer General Manager,
Administration Headquarters General Manager,
Corporate Planning Department General Manager
Katsuhiko Shukunami

Demonstrating our full potential in next-generation markets

In fiscal 2020, our electronic equipment business posted record sales due to a significant increase in product orders arising from the recovery of the semiconductor market. Due to the COVID-19 pandemic, demand for PCs and tablets surged worldwide, leading to a shortage of semiconductors and active capital investment by many companies. At the same time, the COVID-19 pandemic triggered a decline in sales and profits in our industrial equipment business.

Looking to our financial strategy, we undertook our largest share buyback on record. We also announced a minimum numerical target of 30% for our payout ratio, and we increased our annual dividend forecast from 45 yen to 50 yen. We also forecast record sales and profits for fiscal 2021, and we thus expect to further increase our annual dividend to 70 yen. We are committed to maintaining a stable and sustainably high level of shareholder return.

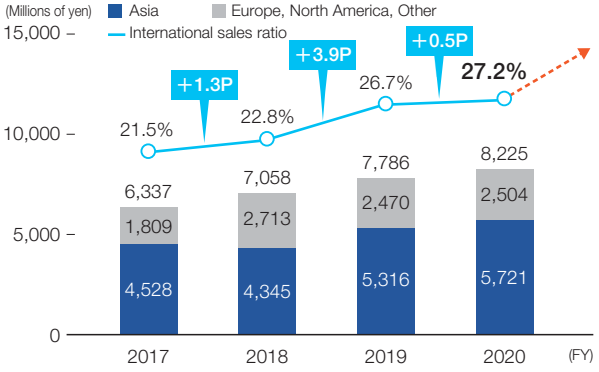
During the preceding three years, we have significantly improved our productivity in manufacturing products for semiconductor equipment. Our great strength is our confident ability to manufacture one-of-a-kind products on a timely basis and at the volume and quality required by our customers. We have also achieved a significant improvement in our defective product rate, which testifies to our growing expertise in manufacturing. Under our current medium-term management plan, we plan to invest 10 billion yen in growth over three years of the plan. As of March 2020, our new Sanda Factory became fully operational, providing both greater automation and a reduction in labor requirements. In addition, we have started construction of our technology development center, which will help us develop unique products that will continue to be the first choice of our customers while supporting open innovation as a collaboration of industry, government, and academia so that we can establish a stronger foundation for our next 100 years. At the same time, we are setting the stage for the next generation of products for our electronic equipment businesses.

As for expansion outside Japan, we expect to invest in expanded production. We have already established facilities in the U.S.A. and China, and we plan to install and operate equipment to accommodate market conditions. We also intend to further increase our international sales ratio from its current 27.2% share for fiscal 2020. Along with the expansion of our business outside Japan, we intend to strengthen our internal controls as well as the human resource development capabilities of our local subsidiaries. In the future, we will examine the development of a system for promoting more local staff to management positions.

Finally, I would like to introduce ESG management principles. We are engaged in the business of stopping leaks, and being very environmentally aware, we are proud to have pioneered many advances in energy efficiency and resource conservation. We will continue to disclose our environmental policy, procurement policy, and group action policy in the year ahead, and we remain dedicated to further expanding the disclosure of non-financial information in the belief that evaluations by our stakeholders will lead to enhanced corporate value.

We remain committed to providing products and pursuing ESG management principles as we grow to become a valued company on which people around the world depend.

Sales trend outside Japan



Medium-term management plan “BTvision22”

Growth scenario for the 100th anniversary of the Company

The Company commenced its new three-year medium-term management plan, “BTvision22” (Breakthrough Vision 22) in fiscal 2020. The name “BTvision22” carries the meaning of leaping forward by breaking through all types of preconceptions (in processes, technological development and costs) in order to work toward sustained enhancement of corporate value in the midst of rapidly changing market conditions.

2017 to 2019
Previous medium-term management plan
BTvision19

The medium-term management plan “BTvision22” was launched in April 2020 and incorporates the following five basic policies:

(1) Enhancing business infrastructure
(2) Achieving further globalization
(3) Creating new businesses
(4) Promoting ESG/SDGs management
(5) Financial strategy

In fiscal 2020, the first year of the plan, we were affected by the COVID-19 pandemic, which caused the industrial equipment business to fall short of the plan by segment, but the Company as a whole was able to achieve its targets for the single fiscal year, driven by the brisk semiconductor market.

(1) Enhancing business infrastructure

In the electronic equipment business, the Company strengthened its production system through activities to improve defective rates and shorten lead times for the semiconductor market, where demand is expected to grow, and made aggressive capital investments.

In the industrial equipment business, the Sanda Factory, which went into full operation in March 2020, is promoting automation using AGVs (Automated Guided Vehicles) and the use of ICT such as RFID (Identification and Management System using IC tags and short-range wireless communication) to promote automation and labor saving.

(2) Achieving further globalization

Due to the COVID-19 pandemic, we were put in a difficult situation including international travel restrictions. However, China quickly succeeded in implementing effective countermeasures against COVID-19, so we established Pillar Technology (Chuzhou) Co., Ltd. to strengthen our response to the expanding Chinese market.

(3) Creating new businesses

In response to the demands of the times, such as 5G, hydrogen power generation, and decarbonization, we will strive to create products that utilize our unique technologies with the keyword “new” in the words of new products, new markets, and new applications. We aim to create the third and fourth pillars of our business, following our electronic and industrial equipment businesses.

In addition, we will build a technology development center in Sanda City, Hyogo Prefecture, and promote open innovation with an eye on future markets, in order to incorporate advanced technologies and create new innovations.

(4) Promoting ESG/SDGs management

In addition to ensuring that all employees are aware of the ESG/SDGs through the establishment of our ESG/SDG Promotion Committee and internal training, we recognize that the promotion of diversity is essential for the sustainable growth of our Company and will further focus on promoting the activities of women. We will also continue to strengthen our corporate governance and raise awareness of compliance by revising the Group Code of Conduct.

(5) Financial strategy

In terms of shareholder returns, a key management issue, we were able to achieve a dividend payout ratio of 34.6% compared to our target of 30% or more. We also undertook an acquisition of treasury shares (532,000 shares for a total of 800 million yen), resulting in a total return ratio of 57.5%, including dividends and share repurchases.

We will continue to aim for a stable, continuous, and improved level of returns by balancing investment in growth.

2020 to 2022

Medium-term management plan

BTvision22

Five Basic Policies

- Enhancing business infrastructure
- Achieving further globalization
- Creating new businesses
- Promoting ESG/SDGs management
- Financial strategy

Intensively tackled SDGs

2024

100th anniversary

Financial strategy

(Millions of yen)

	BTvision19	(New) BTvision22		
	FY2019	FY2020	Final fiscal year (FY2022)	
	Final fiscal year actual	First fiscal year actual	Original plan	Modified plan
Sales	29,213	30,200	32,500	**35,000**
Operating income	3,683	4,847	5,100	**6,500**
Operating income ratio	12.6%	16.1%	15.7%	**18.6%**
ROE	6.2%	7.8%	8.0% or higher	
Payout ratio	36.8%	34.6%	30% or higher	
Capital expenditure	(Three-year cumulative) 11,649	(Three-year cumulative) 10,000		

Segment Sales

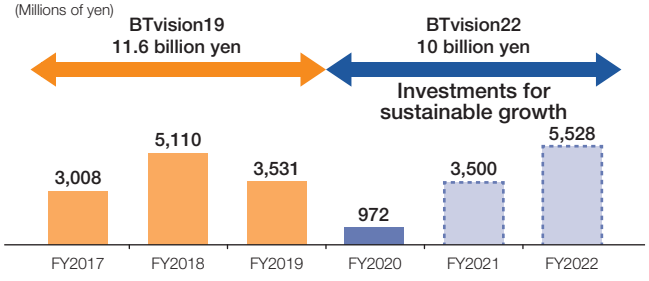
Electronic Equipment Business				
Sales	18,221	20,645	22,100	**25,000**
Operating income	2,253	4,130	4,000	**5,500**
Industrial Equipment Business				
Sales	10,915	9,471	10,400	**10,000**
Operating income	1,403	691	1,000	**1,000**

Progress of BTvision22 activities

	Results of FY2020	Future action plan
Electronic equipment business	• Attained the Minister's Certificate of Commendation for seismic isolation sliding bearings • Established a production system in response to increased demand for semiconductors • Developed antenna substrates for 5G data centers	• Expansion of market share by expanding sales to overseas equipment manufacturers • Further expansion of production facilities for semiconductor manufacturing equipment • Promoting the development of advanced technologies such as miniaturization and integration • Development of new products through industry-government-academia collaboration
Industrial equipment business	• Realization of automated production and labor saving with the introduction of AGV and RFID • Marketing activities to enter new markets • Started construction of the technology development center	• Entry into growth markets such as automotive and medical, including cryogenics, high-temperature and high-pressure applications for hydrogen technologies • Strengthening global strategies, including the development of the Chinese market • Productivity improvement by utilizing digital transformation technology • Development of new products by integrating core technologies and new materials

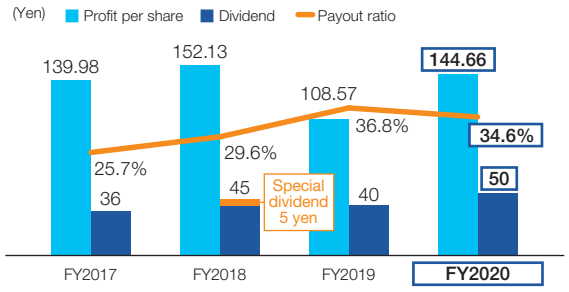
Growth Investment

Capital Expenditures under Each Medium-Term Management Plan (including software, etc.)



Shareholder Returns

Profit per Share/Dividend/Payout Ratio



Electronic Equipment Business

Orders for products for semiconductor and LCD manufacturing equipment increased due to the global recovery in the semiconductor market.

The Super 300 Series of fittings has a 90% share of the global market for semiconductor cleaning equipment applications. Global demand for semiconductors is rising against the backdrop of expanding demand for equipment related to vehicle-mounted, 5G, data centers, and IoT, and we will continue to respond to this demand with our advanced technological capabilities and stable supply system.

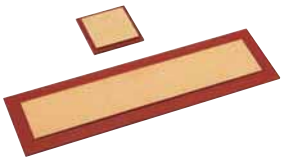
Executive Officer, General Manager,
Production Engineering Headquarters; General Manager, Fukuchiyama Factory
Hiroshi Shingen

Business Overview and Market Environment

In the Circulation (CS) business, the core of this segment, we supply fittings, tubes, pumps, and other components for chemical transport lines for use in semiconductor manufacturing cleaning equipment and chemical supply piping. The Super 300 Series of fittings has become the global standard for cleaning equipment applications, with a global share of 90%. In fiscal 2020, telecommuting accelerated in response to the spread of COVID-19, and demand for semiconductors for PCs and tablets increased, while demand for equipment related to vehicle-mounted, 5G, data centers, and IoT expanded.

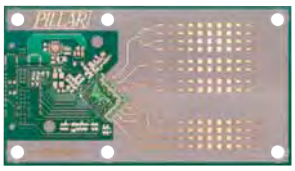
In the construction market, fluororesins are used in seismic isolators that release earthquake shaking from buildings by applying their low-friction properties. In the field of telecommunications, we have developed millimeter-wave radar antenna substrates that take advantage of high-frequency characteristics, and these are being used in applications such as forward collision prevention for automobiles.

Super-300 TYPE
PILLAR FITTING



Fluorogold

Rigid sliding bearing



Fluororesin substrates

Progress of Medium-Term Management Plan “BTvision22”

In fiscal 2020, the first year of the plan, we were able to achieve our initial target with a large increase in orders for products for the semiconductor and LCD manufacturing equipment industries due to the global recovery of the semiconductor market.

In the future, we will continue to fulfill our supply responsibilities with the major theme of enhancing our production system so that our customers do not have to worry about supply.

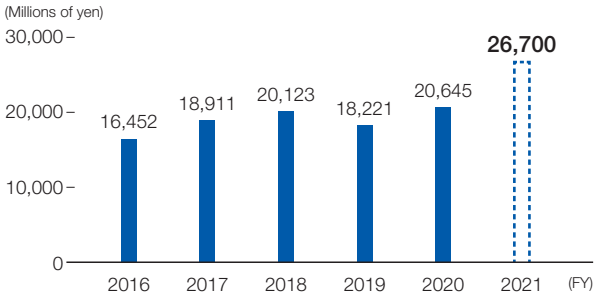
In the area of technology development, we have promoted new product development using resin flow analysis and fluid/structure analysis technologies related to injection molding, which are our strengths, and also improved our mold technologies.

As an example, the new coupling “Sweep Elbow,” which we began offering in 2021, is designed with an R-shaped flow path to reduce the load on the pump and save energy.

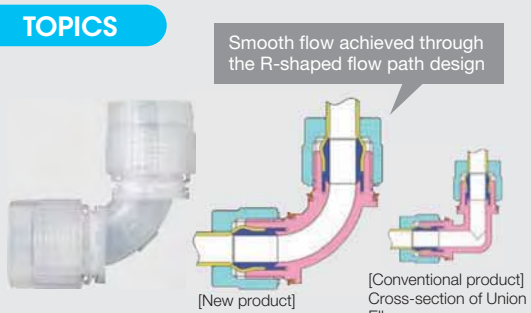
Furthermore, the new product has been highly evaluated by cleaning equipment manufacturers for its greatly improved particle* discharge performance, which is important in semiconductor manufacturing, and we will promote sales expansion starting in 2021.

* Particles: nano-level dust that can cause defects in products.

Sales transition graph



TOPICS



[New product] Cross-section of Sweep Elbow

[Conventional product] Cross-section of Union Elbow

Sweep Elbow is a new type fitting for semiconductor manufacturing equipment

"Sweep Elbow" is a new fitting product that utilizes our core competence in injection molding technology, especially resin flow analysis and fluid/structure analysis technology. The flow path is R-shaped, which allows chemical solutions to flow smoothly, reducing pressure loss by 60-70% and increasing flow rate by up to 20%. This contributes to improved productivity and energy conservation by reducing piping resistance.

The first in the world to manufacture products in a cleanroom

We develop and supply products for medical equipment by making full use of our strengths in injection molding technology, especially fluororesin injection molding technology. We are the first company in the world to use fluororesin for medical applications, and in addition to the world's leading leak-proof performance that we have cultivated through our fitting technologies, we are the first in the world to manufacture our products in a cleanroom to provide clean and safe products.

Future Outlook

We will further expand our overseas operations by leveraging our track record with top equipment manufacturers in Japan, the U.S.A., and Europe. Shanghai Pillar is staffed with engineers who are familiar with CS products, and we will accelerate sales to emerging manufacturers by closely monitoring emerging Chinese equipment manufacturers and market trends. We will also establish a system that can reliably respond to overseas customers.

In the area of production technology, we are seeking technical guidance from Professor Emeritus Hidetoshi Yokoi of the University of Tokyo in order to improve our basic injection molding/molding technology and production site capabilities, based on our past attitude of pursuing mass productivity. As a result, the defect rate, in particular, has been reduced to less than half in the past two years, and we have also made great achievements in resource conservation.

On the other hand, in terms of production system, we have started to operate a production system that fully utilizes the second phase building of the Kyushu Factory, which has greatly contributed to the improvement of productivity. We will continue to build the "next production system" for the next five to ten years.

The Group's CS products have firmly established the position of global niche leader, which is indispensable to the semiconductor industry. We will not rest on our laurels in this position and will continue to strive to increase the value of our products.

In recent years, more and more of our products are being used in the medical field for dialysis applications. We will continue to supply products in this field as well, contributing to a safe and secure lifestyle.

Main SDGs addressed by our electronic equipment business

Social issue	Main activities	Corresponding SDGs
Climate change, environmental pollution	Development and marketing of products that reduce fluid leakage	3.9 6.3 9.4 11.6 12.4
Energy	Improvements in energy conservation and energy efficiency	7.3 13.1
Natural disasters	Contribution to disaster-resistant infrastructure through the provision of seismic isolation devices	1.5 9.1 11.1 13.1
Health value	Contribution to the sensor business with fluororesin substrates	3.6 11.1

Cleanroom to manufacture products for semiconductor and LCD manufacturing equipment

Clean booth in fitting product assembly line

Industrial Equipment Business

Accelerate the launch of new products for the renewable energy and electric vehicle markets by strengthening orders for global projects.

In the industrial equipment market where the stage is shifting to global competition, we will strengthen branding in emerging countries by establishing and expanding our bases in Indonesia, Singapore and Thailand, as well as improving our supply system in the U.S.A. and China to increase orders. In the energy and petrochemical markets, we will aim to work on carbon-neutral seals.

Managing Executive Officer General Manager, Sales Headquarters General Manager **Junji Ohmiya**

Business Overview and Market Environment

The industrial equipment market has already shifted to a stage of global competition. In addition to increasing orders for global projects, we are developing a supply system for seals mainly for the Chinese market.

In Japan, we are aggressively developing new products for the renewable energy market, such as hydrogen and co-firing technologies, and for the electric vehicle market. On the other hand, in the energy and petrochemical markets, which are one of our strengths, projects related to fossil fuels themselves are on the decline due to the reduction of greenhouse gas emissions, and orders from equipment manufacturers are also sluggish.

While the COVID-19 pandemic has forced us to respond to new forms of communication such as online meetings, we also made progress in using new presentation methods and communication tools. In response to this situation, we are actively promoting the maintenance of electronic data to share information with our customers and reviewing our information transmission methods.

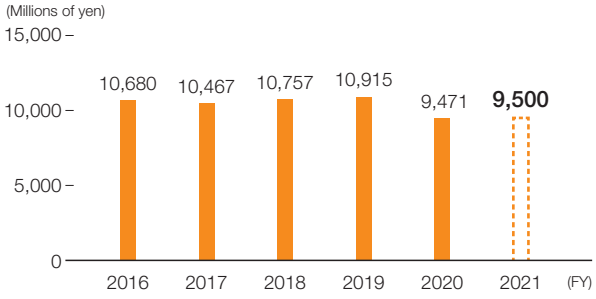
(Left) Pillar EDP® Packing
(Right) AR II

(Left) Spiral gaskets
(Right) Gland packing for pumps

Progress of Medium-Term Management Plan “BTvision22”

The EDP Packing Series, which complies with the U.S. Air Pollution Control Act, has high environmental performance, and its global expansion is strong. Demand for seals and agitators for refining equipment used in the production of semiconductor, liquid crystal, and battery materials is also growing significantly. The construction of a new factory to increase production will be completed in 2019, and we are currently verifying productivity improvements through significant labor savings and integrated production. In the area of energy, we are planning to break into the next generation of environmentally friendly power generation, including co-firing power generation and CCS*.

Sales transition graph



* “CCS”: Carbon dioxide Capture and Storage—technology to capture CO_2 emitted from industrial activities and store it underground

TOPICS

Training data scientists

We will train data scientists who can convert our unique technology and product development processes into data and “visualize” them, thereby ensuring the transmission of technology. In the training of data scientists, we also dispatch them to universities that have specialized courses, which serves to strengthen collaborations across industry, government and academia.

Moving the production base in China from Suzhou to Chuzhou

In order to respond to the Chinese market, which has expanded and is expected to continue growing, we established a subsidiary in China in May 2021 and moved our production base from Suzhou to Chuzhou. With an area approximately twice as large as the previous factory, the new factory will expand production of products for the Chinese automotive and semiconductor markets.

Future Outlook

In terms of overseas expansion, we will enhance our presence in Indonesia, Singapore and Thailand by establishing and expanding our bases in order to increase our recognition and strengthen our branding, especially in emerging countries. In Indonesia, we have established a production and sales subsidiary with full repair facilities for sealing products to strengthen after-sales service for local users. This will enable us to shorten the lead time for spare parts in Indonesia, enhance our presence by strengthening user services, and aim to increase orders through local modifications.

In the U.S.A. and China, where local production and after-sales service systems have been established, we will expand our supply system to increase orders. In particular, China is aggressively investing in its domestic market, and a number of large-scale projects have been launched there, so the Group will strengthen cooperation with partner companies to break into new markets in China.

In the industrial machinery field, decarbonization and carbon-neutralization efforts are progressing rapidly. We are also actively developing materials for renewable energy and are working to globalize our business so that we can provide highly reliable, high-quality sealing products, such as seals for hydrogen power generation, from a location close to our customers. Since our products have traditionally been strong in environmental and safety performance, we are proud of their high affinity with ESG/SDGs, and we will continue to aim to become an indispensable presence in the energy field.

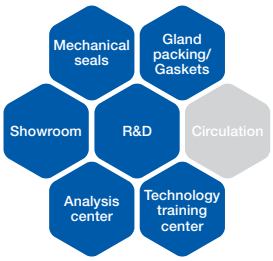
Gland packing braiding machine

Combined processing machine for mechanical seals

Main SDGs addressed by our industrial equipment business

Social issue	Main activities	Corresponding SDGs
Climate change, environmental pollution	Development and marketing of products that reduce fluid leakage	3.9, 6.3, 9.4, 11.6, 12.4
Water resources	contribution to the seawater desalination and purifying businesses	4.5, 6.1, 6.4, 8.6
Natural disasters	contribution to infrastructure that is resistant to heavy rains, floods, and other disasters	1.5, 9.1, 11.5, 13.1
Decarbonized society	contribution to clean energy projects such as hydrogen power generation	7.2, 7.a, 13.2

We have an integrated system from material development to production by refining our technology and people.



Sanda Factory

Located in Sanda City, Hyogo Prefecture, the 43,000 m² site is our mother factory, mainly producing mechanical seals and gland packing, and also has research and development functions. Our Sanda location was reborn as a state-of-the-art, safe and environmentally friendly factory after undergoing its first renovation in 50 years. In addition to strengthening our competitiveness through automation and IT, we are working to further develop the technologies we have cultivated and to develop new products to meet the demands of the market.

1 Technology training center

The technical training center provides training to acquire product knowledge for our employees, including new and mid-career hires. The center is also used as a place to learn practical techniques using actual equipment by inviting our sales partners, subcontractors, and distributors who handle our products.

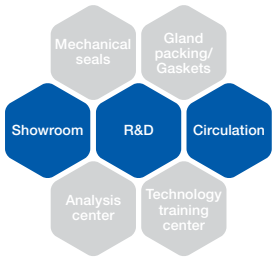
2 Analysis center

In addition to supporting the quality of our products as an in-house analysis facility, we also operate it as a place of learning where our engineers can learn analysis techniques. This enables us to provide services that meet the needs of our customers, such as the ability to perform appropriate analysis by the designers themselves, and the ability to respond quickly to various analysis requests through the consolidation and integration of analysis equipment. In addition, by accumulating a vast amount of analysis data, we are able to utilize it for long-term problem solving and product development.

3 Showroom

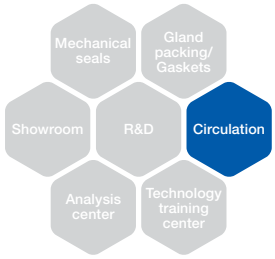
In line with the renewal of the factory after almost 50 years, the showroom has been completely redesigned to strengthen our sales activities for customers who come to visit the factory. Starting with gland packing, the showroom is an impressive representation of how our business has expanded into various fields by focusing on new materials and providing products that meet the needs of the times. Many of the products on display can be actually touched and moved, making it easier for both professionals and the general public to understand the functions and effects of our products visually and experientially.

Our Group's products are used as important functional components in a wide range of industrial fields, including semiconductors, electric power, petroleum and pharmaceuticals.
Since the specifications differ depending on the application, optimal design and production are required for each product. Therefore, we secure the materials we need to manufacture internally what we require, and achieve higher quality products through in-house integrated production of all processes.



Fukuchiyama Factory

With a site that measures about 39,000 m² in Fukuchiyama City, Kyoto Prefecture, our Fukuchiyama Factory produces PILAFLON products such as fittings and pumps mainly for semiconductor and LCD manufacturing equipment, as well as fine ceramics products such as silicon carbide (SiC). In order to keep up with rapidly evolving semiconductor technology, the factory also has a research and development department, and plays the role of the second mother factory.



Kyushu Factory

With a site measuring approximately 18,000 m², our Kyushu Factory is located in Koshi City, Kumamoto Prefecture. There we design, produce, and assemble products mainly for semiconductor manufacturing equipment. The factory is located in the Semicon Technopark in Kumamoto Prefecture, where the semiconductor industry is concentrated, and provides high-quality products with a speedy production system to respond immediately to customer orders.

Column

Started construction of the technology development center

We will invest a total of 3 billion yen to build our new technology development center in Sanda City, Hyogo Prefecture.

The technology development center, scheduled for completion in the spring of 2022, will bring together about 100 engineers from the Sanda Factory and strengthen our outstanding product development capabilities through complex, integrated, and comprehensive technologies across the organization. With an eye on the future market, we will promote initiatives for advanced technologies by strengthening collaboration among industry, government, and academia to create new innovations.

Serving as a bridge of technology in the global field

Total number of sites in Japan

22

sites

Total number of overseas sites

14

sites

Employees (consolidated basis)

759

employees

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 10 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 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 Service Sales Co., Ltd.
Chubu Pillar Service Sales Co., Ltd.
Tokyo Pillar Co., Ltd.
Hokuriku Pillar Co., Ltd.
Pillar Engineering Service Co., Ltd.
Kanto Pillar Engineering Service Co., Ltd.
Sanyo Pillar Engineering Service Co., Ltd.
NP Kogyo Co., Ltd.
NIPPON PILLAR PRECISION MFG. CO., LTD.
Nippon Pillar Kyushu Co., Ltd.

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.
Pillar Technology (Chuzhou) Co., Ltd.
Suzhou Pillar Industry Co., Ltd.
Shanghai Pillar Trading Co., Ltd.
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

Special Dialogue

Adopting the resolute view that “managing for sustainability” is indispensable to sustainable growth

Junichi Komamura
Outside Director

×

Yoshinobu Iwanami
President

Prevailing during times of crisis with bold action and technology built on a tradition of innovation

Iwanami: Mr. Komamura, you have worked for major trading companies for many years, and you have been involved in corporate management in Italy and elsewhere. You also gained management experience at a company in Osaka. As our Group continues to grow as a business entity pursuing further globalization, we believe we can provide our Company with appropriate advice and guidance based on your abundance of management experience and knowledge both inside and outside Japan. In fiscal 2020, you were appointed as an outside director. Now that one year has passed, what is your impression of our Group?

Komamura: When I was first appointed as an outside director of Nippon Pillar Packing, it was clear that the Company nurtured traditions and a sense of earnestness, something that is unique to a longstanding company that will soon celebrate its 100th anniversary. In addition, I felt that the Company had implemented a functional level of corporate governance, a process that has not yet penetrated many other Japanese companies.

Iwanami: Traditions should be cherished, of course, but if one remains comfortably entrenched in tradition, one is not open to the future. Today, the world is suffering from an unprecedented disaster in the form of the COVID-19 pandemic; Japanese society has also had to contend with other major crises in the past, such as the oil crises and the bursting of the economic bubble. We have prevailed during these difficult times through technological innovation and by taking bold initiatives. So, one might say that “tradition” can also be rephrased as “innovation.”

Komamura: There are companies that have managed to achieve business growth despite COVID-19, so managers must determine whether their business in its current form can respond to this crisis. In short, one must calmly observe the business, look one, three, and five years ahead, and determine which aspects of the business must be nurtured.

Acknowledging the need for ongoing course corrections as societal changes continue to accelerate dramatically

Iwanami: The fields of petrochemicals and petroleum refining and electric power have been growing, but we are facing a major turning point with the need to reduce our carbon dioxide emissions. As we look ahead and select and consolidate our businesses, it is essential that we provide society with better products, technologies, and services. We believe it is necessary to instill and thoroughly implement our Action Guidelines so that we can respond quickly to changes.

Komamura: The basis of corporate governance is thorough compliance.

Iwanami: I want our employees to understand the significance and role of Nippon Pillar Packing. However, it must be kept in mind that imposing strict rules may impair the creativity of our employees, a

resource that can be considered the source of our corporate growth.

Komamura: From my experience in corporate management in Italy and the UK, I learned that it can be difficult to implement uniform rules because temperaments and values typically differ from country to country. It is preferable to adopt a common set of basic rules and to later determine the rest according to the specific circumstances of the country and the locality. For example, when someone makes a mistake in his or her work, I suggest "showing a yellow card" and providing guidance for improvement. So even when a mistake is made, an opportunity is offered to make amends for the misstep.

Iwanami: We are not gods, so we cannot achieve everything we want. In particular, societal change has dramatically accelerated in recent years; moreover, the business climate has shifted to quite an extent. As the way of thinking in the market changes, we may be not permitted to continue doing the same things we have always done. Management decisions that we convinced are the best could even backfire eventually. Confusion has also prevailed around the world regarding the spread of the COVID-19 pandemic, so we simply cannot know what will happen.

Komamura: In order to respond quickly to changing situations, we should not fear constant revisions of our plans. However, as a manager, one must remain accountable. One must explain exactly why the instructions have been changed and what went wrong. When a problem arises, it is important to keep a good record of the circumstances and how to deal with them so that the situation does not get worse. It is also necessary for management to be prepared to "show a yellow card" to themselves.

Iwanami: I think it is essential for management to take the lead in responding to societal changes and tolerating failure. To deal with unprecedented approaches as typified by ESG/SDGs management principles, the president must take the initiative.

Komamura: In that respect, having a youthful upper management is a great benefit. Youth still have the advantage in responding

flexibly to ESG/SDGs management issues and to the requirements of the digital transformation. Those directors who provide assistance to upper management should assume the role of proactively offering advice, as the combination of both perspectives will reduce the chance of the company making a misstep.

Providing the products that are in demand and responding to the expectations of society

Iwanami: Society comprises the young and the elderly as well as enterprises, with each of us playing our own role. As for us, we contribute to society through our business by using our expertise in seal technology and material technology to providing the products that society needs. From petroleum to hydrogen and other alternative forms of energy, and from internal combustion vehicles to electric vehicles, we provide the products that meet the changing needs of society. Our role, and our very reason for existence, is to repeat the above in a solid and sober manner. Our Group has the technology to achieve our potential.

Komamura: The changing needs of society also include the perspective of social contribution.

Iwanami: That's right. In light of the significance of our Group's reason for existence, which is to contribute to a cleaner society with products that stop fluid leakage and thus reduce environmental impacts, we offer products that are not only required by society but also contribute greatly to society at appropriate prices while earning reasonable profits. We sell our products and use the profits to develop new products. We consider this essential for the sustainable growth of our Group.

Komamura: We have the technology and expertise to develop products that contribute to the emergence of a society committed to sustainability. One could say that managing for sustainability and continuing to put this into practice is just what we talked about today.

Iwanami: As a Group, we will continue to focus on businesses that make a meaningful contribution to society, thereby ultimately benefiting our shareholders.

Thank you very much for your time today.

Governance

Enhancing Corporate Value

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 conducted quickly. 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	Advisory body to Board of Directors	Number of directors (excluding directors who are Audit & Supervisory Committee members)
Company with an audit and supervisory committee	Independent committees	6
Number of directors who are Audit & Supervisory Committee members	**Number of independent directors including Audit & Supervisory Committees members**	**Number of Board of Directors meetings in fiscal 2020**
3 (including 2 outside directors)	4	6
Term of office for directors	**Performance-linked remuneration**	**Takeover defense measures**
1 year	Provided	Implemented

Executive Skills Matrix

Name	Corporate management	Production/ Technology/ Development	Sales	Overseas business	Finance/ Accounting	Legal affairs
Kiyohisa Iwanami	●	●	●	●		
Yoshinobu Iwanami	●	●	●	●		
Ikuo Hoshikawa	●	●		●		
Katsuhiko Shukunami	●				●	
Yoshinori Suzuki	●	●	●	●	●	
Junichi Komamura	●	●	●	●		
Kazuhiro Maruoka					●	
Kazumitsu Takaya					●	
Kyoko Kobayashi						●

Corporate Officers
(As of June 25, 2021)

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 (current)

President
Yoshinobu Iwanami

Jun. 2010	Joined the Company
	Executive Officer
Jun. 2012	Director
Jun. 2014	Managing Executive Officer
Jun. 2018	Senior Executive Officer
	General Manager, Sales Headquarters
Jun. 2020	President (current)
	President and Executive Officer (current)

Director, Senior Executive Officer
Ikuo Hoshikawa

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

Director, Senior Executive Officer
Katsuhiko Shukunami

May 2014	Joined the Company
	General Manager, Corporate Planning Department (current)
Jun. 2014	Director (current)
	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 (current)
Jun. 2020	Senior Executive Officer (current)

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 (current)
Jun. 2014	Representative Director, Vice President and CFO, OMRON Corporation
Jun. 2018	Outside Director, SENQCIA CORPORATION (current)
Jun. 2019	Outside Director of the Company (current)

Outside Director
Junichi Komamura

Apr. 1973	Joined Mitsubishi Corporation
Apr. 1996	President, Miteni, a portfolio company of Mitsubishi Corporation (Italy)
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. (current)
Jun. 2020	Outside Director of the Company (current)
	Outside Director, TOKAI BUSSAN CO., LTD. (current)

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) (current)

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 (current)
Jun. 2016	Outside Director, HIRANO TECSEED Co., Ltd. (Audit & Supervisory Committee member) (current)
Jun. 2019	Outside Director of the Company (Audit & Supervisory Committee member) (current)

Outside Director (Audit & Supervisory Committee member)
Kyoko Kobayashi

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

Executive Officers (Excluding Directors)

Managing Executive Officer	Junji Ohmiya	General Manager, Sales Headquarters and Sales Department 3;
Managing Executive Officer	Sadamitsu Yamauchi	General Manager, AE Business Department and Development General Manager
Executive Officer	Masaki Miyamoto	General Manager, Seismic Isolation Business Department
Executive Officer	Masato Wada	General Manager, Engineering Headquarters
Executive Officer	Hiroshi Shingen	General Manager, Production Engineering Headquarters; General Manager, Fukuchiyama Factory
Executive Officer	Masaki Shibaike	General Manager, Production Headquarters

Corporate Governance System

① Advisory Committee

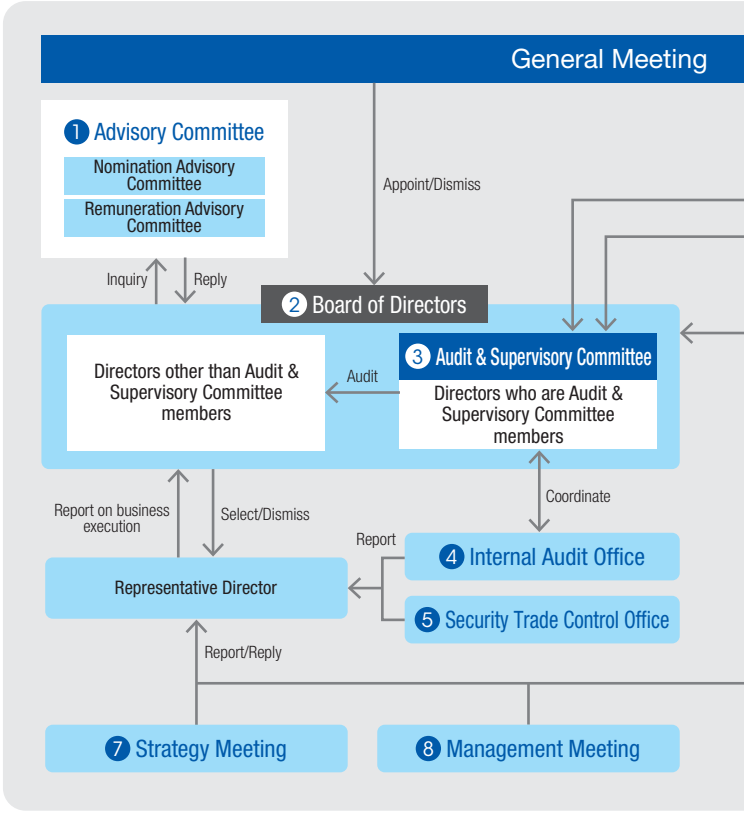
As advisory bodies to the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee, which are voluntary committees, have been established to strengthen the supervisory function of the Board of Directors and enhance the corporate governance system by ensuring the transparency 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 9 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.

⑦ Strategy Meeting

The Strategy Meeting discusses strategic issues related to technology, etc.

⑧ Management Meeting

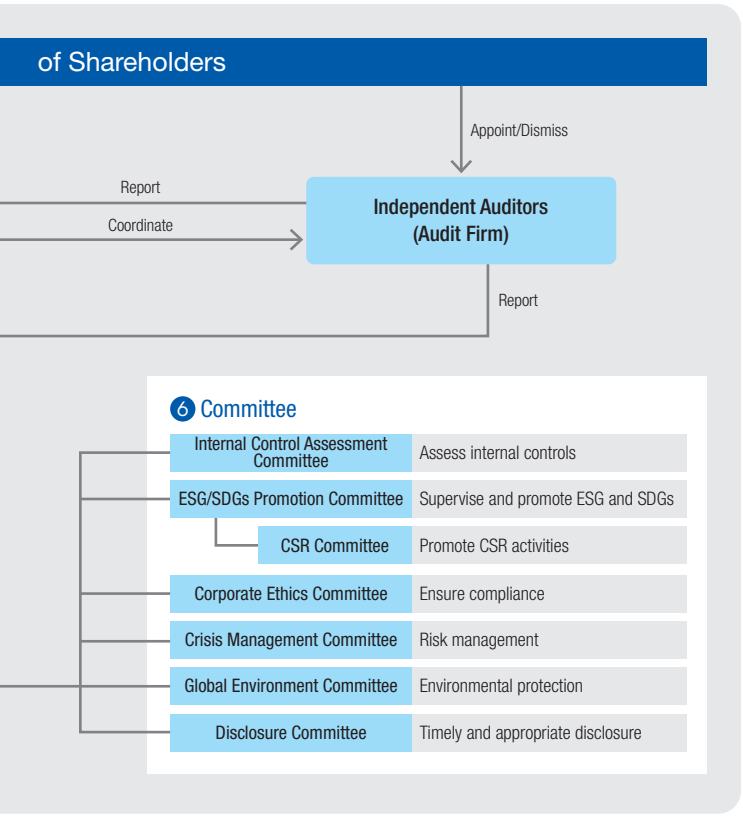
The Management Meeting reports and reviews business execution and deliberates on important matters.

Self-Assessment by the Board of Directors

In order to further improve the effectiveness of the Board of Directors, we administered a questionnaire to directors, conducted analysis and assessment of the board's effectiveness in fiscal 2020, and the findings were shared and discussed among the board members.

As a result, the assessment showed that the Board of Directors is generally fulfilling its supervisory function sufficiently, but there were opinions that the number of Board of Directors meetings and executive training should be increased, which will be considered going forward.

In addition, in order to make the deliberations of the Board of Directors more active than before, we will make further improvements in the management of the Board of Directors, such as providing opportunities for the heads of business divisions to report on the status of their business plan initiatives.



3 Audit & Supervisory Committee 3 directors

Nippon Pillar Packing changed its legal format to a company with an audit and 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 Internal Audit Office

Along with audits by directors who are Audit & Supervisory Committee members, the Internal Audit Office, comprising four members, was established as an organization to conduct internal audits from the standpoint of compliance and efficiency.

5 Security Trade Control Office

For control of products with export restrictions, we have established the Security Trade Control Office and are taking every possible measure in this area.

6 Committee

Internal Control Assessment Committee

The Company has established the Internal Control Assessment Committee in response to the internal control system for financial reporting and conducts internal control assessments for the Group. In addition, internal audits of each subsidiary are conducted on a regular basis.

ESG/SDGs Promotion Committee

In April 2021, the ESG/SDGs Promotion Committee was established as a higher-level organization to the CSR Committee to oversee and promote activities related not only to corporate social responsibility but also to the environment, corporate governance, and the SDGs, thereby enhancing the effectiveness of our efforts to achieve sustainable development in harmony with society. The Company publishes an annual Integrated Report summarizing the content of these activities.

Corporate Ethics Committee

The Corporate Ethics Committee has been established to ensure compliance with laws and regulations and to improve corporate ethics. We have established the Corporate Code of Ethics as a code of conduct for all employees, and have formulated the Group Code of Conduct as a specific set of standards.

Crisis Management Committee

The Crisis Management Committee has been established to ensure rapid response and resolution if a business continuity-related crisis occurs, and a set of Crisis Management Rules have been formulated and other measures taken to prepare in advance for such contingencies.

Global Environment Committee

The Environmental Policy has been established to address the development of products that take safety and environmental preservation into consideration. Based on this Environmental Policy, we are working to reduce the environmental impact and maintain and improve our management system.

Disclosure Committee

The Disclosure Committee has been established to ensure timely and appropriate disclosure.

Appointment of Outside Directors

The Company has four outside directors, two of which are members of the Audit & Supervisory Committee.

Outside directors shall have no personal, capital, business or other interests in the Company. In addition, in cases where outside directors concurrently hold positions at companies other than the Company, there shall be no significant transactions or other interests between those companies and the Company.

Name	Reason for appointment
Yoshinori Suzuki	Mr. Suzuki has been appointed as a director in order to receive objective and useful opinions based on his extensive knowledge and experience as a manager of a business corporation, as well as for his broad insights.
Junichi Komamura	Mr. Komamura has been appointed as a director in order to receive objective and useful opinions based on his extensive knowledge and experience as a manager of a business corporation, as well as for his broad insights.
Kazumitsu Takaya	As a CPA, Mr. Takaya is well versed in finance and accounting. We have appointed him a director who is also a member of the Audit & Supervisory Committee, in order to utilize his professional knowledge and broad experience in auditing.
Kyoko Kobayashi	Being a qualified attorney-at-law, Ms. Kobayashi is familiar with corporate legal affairs as a legal expert. She has been appointed as a director who is a member of the Audit & Supervisory Committee in order to utilize her ample insight and broad experience in corporate governance in auditing.

Officer Remuneration

Based on a resolution of the Ordinary General Meeting of Shareholders on June 23, 2017, monetary remuneration for the Company's directors (excluding those who serve on the Audit & Supervisory Committee) has been limited to an annual remuneration of 240 million yen or less. There are six directors to whom this applies.

In addition to the said monetary remuneration, restricted stock remuneration for directors (excluding outside directors and directors who also serve on the Audit & Supervisory Committee) has been limited to 50 million yen per year and the total number of common shares must not exceed 50,000 shares per year (approved at the Ordinary General Meeting of Shareholders held on June 25, 2020). Monetary remuneration consists of fixed remuneration and performance-linked remuneration, and stock-based remuneration is classified as fixed remuneration. In addition, the remuneration of outside directors and directors who also serve on the Audit & Supervisory Committee is limited to fixed remuneration in consideration of their roles.

Officer classification	Total remuneration, etc. (Millions of yen)	Total remuneration, etc. by type (Millions of yen)			Non-monetary remunerations	Number of officers (people)
		Fixed remuneration	Performance-linked remuneration	Retirement bonuses		
Directors (excluding Audit & Supervisory Committee members and outside directors)	125	61	46	—	18	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	4	4	—	—	—	1
Outside officers	13	13	—	—	—	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 18 million yen.

Disclosure

Regarding disclosure, Nippon Pillar Packing has established the Disclosure Committee and conducts appropriate and timely disclosure.

To administer our internal control system for financial reporting, which was started in April 2008, we established the Internal Control Assessment Committee and conduct assessments of internal controls at the Group level. In April 2021, we established the ESG/SDGs Promotion Committee as a superordinate organization to the CSR Committee to oversee and promote activities related not only to corporate social responsibility but also to the environment, corporate governance, and the SDGs, thereby enhancing the effectiveness of our efforts to achieve sustainable development in harmony with society. The Company publishes an annual Integrated Report summarizing the content of these activities.

The status of these committees is reported regularly to the representative director.

Our IR Activities

The director in charge of investor relations leads semi-annual briefings for analysts on the Company's profile, performance and other topics. At these briefings, the presentation is generally provided directly by the representative director. In addition, dialogue is conducted separately throughout the year with investors. In addition, timely disclosure materials are posted on the IR Information page of our website, and a recording of the General Meeting of Shareholders for fiscal 2020 is available for viewing.

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)
Individual IR for analysts	65	Briefing on business description, financial results, initiatives, etc. to institutional investors and securities analysts whenever necessary
Company briefings for individual investors	3	Briefing on business description, business model, shareholder returns, etc. held in December and March (twice a year) for individual investors

Risk Management

Nippon Pillar Packing has established the Crisis Management Committee to oversee risk management overall. For risks related to business activities, the Crisis Management Rules have been established and applied to the Company and its Group companies in order to ensure risks are addressed promptly, and a risk management system has been established based on these rules. When unexpected situations arise, a response headquarters is established that is headed by a person appointed by the President, a system is launched to minimize damage and impact, and the situation is quickly addressed. In addition, in order to ensure the timely disclosure of risks and other important information, we established the Disclosure Committee and created a system for conducting timely, appropriate disclosure.

Risks that should be managed

Risks from changes in the semiconductor/LCD markets

PILAFLON, one of the Group's mainstay products, is used widely in semiconductor and LCD manufacturing equipment and other applications. Technological innovation in the semiconductor and LCD industries progresses extremely rapidly, and while the markets have been growing in recent years, a sudden, unexpected market contraction could potentially impact the Group's performance.

Risks related to quality

The Group obtained ISO 9001 certification for its quality management system ahead of the rest of the industry and works to raise quality through its quality assurance system. As a result, our products have been adopted for use by customers in a wide range of industries. However, since our products are functional components that demonstrate their performance when utilized in facilities and devices, unexpected defects could potentially impact the Group's performance.

Risks from overseas production/sales and foreign exchange trends

The Group is building and further developing a system of production sites in optimal locations, promoting local procurement of supplies and machining parts, and strengthening overseas sales. In the fiscal year ended March 2021, we achieved overseas sales of 8,225 million yen (overseas sales ratio: 27.2%). However, unexpected changes in political and economic systems, natural disasters, or infectious disease outbreaks, etc. in the countries where we operate could potentially impact the Group's performance. In addition, sudden fluctuations in exchange rates could also potentially impact the Group's performance.

Risks related to material procurement and price trends

The Group procures raw materials, parts and other products for its production activities, but delays due to resource depletion or production capacity restrictions at suppliers, suspensions due to business withdrawals, and suspensions or delays due to quality defects and other such factors could potentially impact the Group's performance. In addition, the main materials in products produced and sold by the Group are special steel and fluororesins, and trends in the prices of these materials could potentially impact the Group's performance.

Risks related to technological development

Following on from sealing products and semiconductor and LCD-related products, the Group is working to develop new products for a third pillar of business in industries such as renewable energy, the environment, and digital transformation, where growth is expected. These industries are characterized by the speed at which technological innovation takes place and sudden changes in market trends. In addition, new product development and market assessment are complex and uncertain, so if new products are not launched in a timely manner due to sudden technological innovation or sudden market changes, it could potentially impact the Group's future growth and business development.

Risks related to factory operations

The Group has its main production sites in Hyogo Prefecture, Kyoto Prefecture and Kumamoto Prefecture, and it works diligently to maintain and protect these facilities, but a major earthquake in the immediate vicinity could make it difficult for factories to continue to operate or the factories themselves could sustain major damage and this has the potential to have a major impact on the Group's operating results, performance and financial position. In addition, while every effort is made to prevent accidents and disasters, including fire prevention at factories, a fire, explosion or lightning strike may force some operations to be suspended, and could potentially impact the Group's performance.

Risks related to the COVID-19 pandemic

The Group has continued business activities after implementing strict measures including telecommuting and staggered working hours. At the present time, capacity utilization is being maintained at normal levels. However, if the COVID-19 pandemic is prolonged, it could potentially impact the Group's performance.

Compliance

In order to strengthen our compliance system, we have established the Corporate Code of Ethics as a code of conduct for all employees. We have also established the Group Code of Conduct as a specific set of standards. Our Group Code of Conduct is presented on our intranet, and we are striving to improve legal compliance and corporate ethics through our internal training system and our Corporate Ethics Committee. In addition, the Global Environment Committee and Environmental Policy were established to ensure safety and environmental protection sufficiently considered in product development. Based on this Environmental Policy, we are working to reduce environmental impact and to maintain and enhance our management system. Furthermore, the Crisis Management Committee has been established to ensure rapid response and resolution if a crisis related to business continuity occurs, and the Crisis Management Rules have been formulated and other measures taken to prepare in advance for such contingencies. Along with this, for control of products with export restrictions, we have established the Security Trade Control Office and are taking every possible measure in this area.

Nippon Pillar Packing subsidiaries are managed through a process that consists of approval and final approval based on the Affiliate Management Rules and reporting from the subsidiaries, but their autonomy as independent companies is also respected, and when there are important managerial matters that occur between Group companies, adequate discussions are conducted. In addition, the Internal Audit Office conducts internal audits of subsidiaries on a regular basis.

As a code of conduct that applies to all Group companies, the Group Code of Conduct as prepared by the Company is posted on our intranet to ensure that all employees are aware of the need to comply with laws, regulations, internal regulations, and social norms.

Solving the global social issues, which is the stated aim of the Sustainable Development Goals (SDGs), is our social responsibility and the contribution that our technologies can make to achieving the SDGs is key to attaining sustainability.

Director, Senior Executive Officer, In charge of Engineering/Production, Division General Manager, Sanda Factory **Ikuo Hoshikawa**

Our Sustainable Value Chain

Social issue

Design and Development	Procurement	Manufacturing
• Transition to a decarbonized society • Safe water supply • Disaster-resilient society	• Supply chain risks • Fair and impartial procurement • Human rights issues	• Labor shortages • Industrial waste including plastics • Energy saving

Company initiatives

Design and Development

- Design with due consideration for user safety
- Optimal product design that meets the needs of customers and society
- Proposals and designs that take into account the reduction of environmental impact such as energy saving, resource saving, and space saving
- Material development for longer product life
- Understanding, management and reduction of chemical substance usage
- Technology development for seawater desalination and water purification
- Design and development of products that mitigate damage from disasters such as heavy rains and earthquakes
- Technological innovation through industry-government-academia collaboration

Procurement

- Preparation of sustainable alternative materials
- Strengthening cooperation with suppliers
- Development and distribution of CSR Procurement Guidelines
- Holding procurement policy briefing sessions
- Promoting the collection and reuse of cushioning materials

Manufacturing

≪Production Site≫
- Switching to LED lighting
- New environmentally conscious factory (Sanda Factory: CASBEE A-Rank certified)

≪Production Process≫
- Waste reduction in the manufacturing process
- Reduction of energy consumption by improving productivity
- Introduction of automation equipment such as AGV and AGF
- Reduction of energy consumption and emissions
- ICT-based production progress monitoring

≪Health and Safety≫
- Implementation of health and safety training

Cross-cutting efforts to support the value chain

Develop human resources

Our Concept of ESG/SDGs Management

Solving the world's social issues set forth by the SDGs is one of the social responsibilities that our Group, supported by our global stakeholders including customers, suppliers, employees, and investors, must fulfill. Our business, which contributes to energy saving and environmental conservation with our core competence "technologies for stopping fluid leakage," has a high affinity with ESG and SDGs. We recognize this will make a great contribution to improving both economic and social value of the Group.

Under the medium-term management plan BTvision22, ESG/SDGs management is positioned as one of the basic policies. We have set goals and promoted initiatives related to ESG/SDGs in the activities of our internal committees. Furthermore, in April 2021, we established the ESG/SDGs Promotion Committee to oversee ESG/SDGs initiatives, including the activities of these internal committees. The committee consists of the President, who is the chairperson of the committee, and the general managers of each business site, all of whom are correctly and powerfully working to promote ESG/SDGs management. At the same time, we are also promoting daily efforts to spread awareness of ESG/SDGs among our employees, which will motivate them to take part in ESG/SDGs initiatives throughout the Company.

Shipping and Transportation

- **Waste of resources due to excessive packaging**
- **De-plasticization**
- **CO_2 emissions**

- Improvements in packing efficiency through batch shipping
- Reduction in CO_2 emissions due to less frequent transportation
- Improvements in work efficiency with the use of automated warehouse
- Promotion of cushioning material recycling
- Use of reusable packing boxes

Sales

- **CO_2 emissions**
- **Labor shortages**
- **Safe and reliable product installation**

- Acceleration of EV/HV shift for corporate vehicles
- Rationalization by consolidating/abolishing sales offices
- Creating installation training equipment
- Implementation of product workshops for distributors
- Introduction of renewable energy to offices (head office building: under consideration)

Maintenance and Repair

- **Appropriate waste disposal**
- **The 3Rs (Recycle, Reuse, Reduce)**

- Product recycling by repair
- Improvement of maintenance skills
- Reinforcement of maintenance and repair divisions

Promoting diversity

Corporate governance

Social

Social Initiatives

Raising Human Resource Value

Nippon Pillar Packing works to increase human resource value to ensure continuing, sustained growth.

Amid recent escalation of competition for human resources, the rise of artificial intelligence (AI) and robotic process automation (RPA), and the important task of cultivating globally relevant personnel, we are introducing new human resource systems from April 2020 because we see a need to build a human resource framework that is in tune with the present day but also looks to the longer term.

As part of this initiative, we introduced a talent management system in fiscal 2020. This system enables us to visualize the knowledge, skills, values, and career vision of each employee, which helps assign the right person to the right job. Furthermore, superiors and the Company will effectively use the career plans, skills, experience of individual employees for human resource development, thereby increasing their motivation and create a work environment that encourages employees to grow while playing an active role.

Enhancing the Workplace Environment

Nippon Pillar Packing regards keeping the workplace environment safe as an important management responsibility because accidents at the workplace threaten the safety of employees and have the potential to affect the surrounding environment and business continuity.

Based on this recognition, we conduct ongoing hazard prediction activities and the Company's president goes to factories to conduct on-site inspections in order to prevent workplace accidents from occurring. We also publish health and safety news for each workplace to raise employee safety awareness.

Moreover, the Health and Safety Committee conducts workplace inspections and risk assessments. Workplaces are assigned a score based on risk types, frequency of occurrence and other factors; the higher the score, the higher the risk. We analyze the causes of high-risk workplaces on a priority basis and implement hazard source control measures to prevent occupational accidents from occurring or recurring.

Through these activities and assessments, we will work to create workplace transparency and a safe, secure workplace environment where each and every employee is energized in their job.

Hours of training programs implemented

744 hours

(Total value of position-based and new employee training programs)

Percentage of male employees taking childcare leave

13.6%

(FY2020)

Number of employees supported by self-development programs

555 employees

(FY2020)

Promoting Work Style Reform

In response to the spread of COVID-19, the Company is promoting a more efficient way of working by introducing telecommuting, meeting with customers via video conferencing, and other IT measures. In addition, we launched a business reform project in 2020 to improve the work-life balance of our employees by taking an inventory of current operations and using various IT technologies to streamline operations, improve productivity, and create more spare time for our employees.

Diversity Initiatives

We believe that new ideas that have never been seen before can be created by diverse human resources, and in recent years we have been focusing on promoting diversity. We will continue to respect diversity and aim for sustainable corporate growth by creating more opportunities for women to play an active role, developing new products based on new ideas generated by different values through the active appointment of non-Japanese personnel, and developing an internal system that allows people with disabilities to play an active role.

Paid annual leave usage rate

60.3 %

(FY2020)

Childcare leave usage rate

100 %

(FY2020)

Average length of service

15.3 years

(FY2020)

Column

Creating a work environment where women can play a more active role through exchanging opinions with the President

As an effort to create more opportunities for women to play an active role in the Company, an exchange meeting was held between President Iwanami and eight female career-track employees from head office, under the theme of “What female employees think is a comfortable and rewarding work environment.”

During the exchange, various proposals were made, including support for career planning and the design of systems that would make it easier to balance work and family life, as well as life events, making it a meaningful opportunity to exchange opinions directly with President Iwanami.

President Iwanami and exchange meeting participants

We will continue our efforts to create systems and workplaces where women are energized to work by sharing issues with management through exchange meetings.

Yukimi Yamanaka
Department of General Affairs and Human Resources, Administration Headquarters

Together with Communities

Participation in a Career Development Lecture Hosted by Kansai Gaidai University

Kansai Gaidai University offers students the Career Development program consisting of 13 lessons in the spring semester. Our stance aligns with the university regarding creating opportunities for students to learn about the structure of the business and industry, as well as perspectives on work, life, and fulfillment, through the participation of guest speakers from various industries. The Company also held a lecture in May 2021 as part of this program.

At the lecture, our employees who have been sent to work overseas with manufacturers using English also participated and gave the students a first-hand account of what it is like to work overseas.

We will continue to cooperate with various universities to support students so they can go out into the world and work with energy and enthusiasm.

Online lecture

Sponsorship of Traditional Arts and Culture

Nippon Pillar Packing believes in the importance of interacting with the communities in which its factories and offices are located. We are proud to sponsor the Yamamoto Noh Theater and the Osaka Philharmonic Orchestra as part of our efforts to revitalize Osaka City, where our head office is located.

Through such sponsorship, we support the development of traditional performing arts and the promotion of culture. Going forward, we intend to support the promotion of culture and arts as well as regional revitalization, not only in the communities we serve but also throughout the world.

Photo courtesy: Yamamoto Noh Theater

Photo courtesy: Osaka Philharmonic Orchestra

Reduction of Food Loss and Plastic Waste

Our employee cafeteria in our main factories, namely the Sanda Factory and Fukuchiyama Factory, offers healthy meals to support employees' health and is also used as a place for internal communication.

Since August 2020, the Fukuchiyama Factory has been working to reduce food loss by keeping track of the number of employees that use the cafeteria as well as meal ordering trends. By predicting the number of next-day orders from past ordering data, we have successfully halved food loss due resulting from oversupply. Going forward, we will strive to further reduce food loss and apply this approach to the Sanda Factory.

Examples of meals that have contributed to a 50% reduction in food loss

In addition, we have worked to eliminate the small plastic sheets often colored green and cut into leaf/grass shapes which are used to separate different foods, as well as plastic cups, by devising different ways to serve meals, thereby reducing plastic waste by about 40 kg per year.

Column Encouraging to donate blood as an easy volunteer activity

Twice a year the Company conducts blood drives as a certified blood donation supporter, as part of our social contribution activities for anyone to casually participate in.

I have been interested in volunteer activities for a long time, and since the Company has arranged for blood donation vehicles to come to our offices, I thought it would be an easy volunteer activity for me to participate in.

Through the blood donation activity, I felt a renewed sense of gratitude to my parents for giving me a strong body and a sense of joy at being of use to others.

It has been 28 years since I started donating blood. I expect to give my 300th donation by the end of this fiscal year.

I encourage everyone to participate in blood donation activities.

Manabu Nakano
Logistics Group, Factory Administration Department, Production Headquarters

Together with Customers

Nippon Pillar Packing recognizes that important hints for business development are often concealed in the requests of customers and organizes their requests and feedback using customer request cards. These requests are reported at the Strategy Meeting, Management Meeting and meetings of other bodies and discussed in order to tie the feedback into product improvements and new product development.

Also, in order to serve customer requests, coordination between sales and engineering divisions is essential. When we visit our customers, our engineering staff accompanies sales staff, and by adding a technical perspective, we are able to understand the essence of the issues regarding their requests and make the best proposals.

In fiscal 2020, we were forced to refrain from visiting our customers due to the pandemic but responded to their requests while ensuring the safety and security of customers and employees by introducing a video conferencing system along with other solutions.

Furthermore, based on the recognition that ensuring the quality of our products is one of the most important priorities in gaining and maintaining the trust of our customers, we will continue to implement the PDCA cycle for quality control activities based on the ISO 9001 quality management system, as well as complying with the quality and standards required by each country and each industry.

As for customer evaluations of our products and services, we conduct a questionnaire of Customer Satisfaction Survey, once a year. Starting in fiscal 2020, we have made this questionnaire electronic, so that we can quickly absorb customer feedback and strive to further improve customer satisfaction through discussions at management meetings and feedback to workplaces.

Together with Suppliers

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. As part of our measures to deepen exchanges and conduct smooth activities to ensure stable procurement from suppliers, we hold briefings on our Procurement Policy and provide information on the initiatives of each business, production overview, and future production plans. In 2021, while the effects of the spread of COVID-19 were still strong, we held our first supplier policy briefing in two years remotely, prioritizing safety. We will continue to develop mutually with our business partners and aim to achieve stable business continuity by placing the highest priority on supply responsibility and stable supply to our customers.

In light of the expansion of ESG-related investment and global procurement, we will also appropriately address issues surrounding supply chain management, which is an important issue for both companies and stakeholders. The issue of conflict minerals, in which mineral resources extracted through inhumane acts in specific conflict areas are used to fund the activities of armed groups, and economic activities using textile raw materials produced through the persecution of specific races, have become social issues that violate basic human rights. We recognize these as serious issues in our supply chain and strive to avoid the use of minerals and fiber 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.

Policy on Anti-Social Forces

In order to carry out sound and appropriate business activities, we handle anti-social forces in accordance with the Guideline for Prevention of Damages from Anti-Social Forces in Industry. This means we take a resolute stance against such forces with firm conviction, cut off any such relationships and work hard to continually maintain the public's trust while also coordinating with supplies, having them send proof of confirmation, etc.

Policy on Anti-Social Forces

(1) Cut off all relationships, including transactions
(2) Respond as an organization and coordinate with outside specialists
(3) Prohibit under-the-table transactions and providing funds
(4) Issue legal response in emergency situations

Environment

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) Improvement of environmental management system

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

(5) Cooperation with society

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

March 3, 2021

Structure for Promoting Environmental Conservation Measures

In September 1999, our Sanda Factory obtained ISO 14001 certification. The Fukuchiyama Factory was also certified in September 2002. We have an ongoing environmental improvement program at these two sites. We have also established an environmental management structure at the two sites. A Global Environment Committee chaired by the executive officer responsible for the environment oversees environmental management, working to reduce our impact on the community and local environment.

Furthermore, each site has established an Environmental Management Committee with the aim of reducing the environmental impact of our business activities and developing environmentally conscious products. These initiatives are reported to the ESG/SDGs Promotion Committee, chaired by the President, 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.

Environmental Audit

Our Sanda Factory and Fukuchiyama Factory, both of which are ISO 14001 certified sites, underwent regular ISO 14001:2015 audits to verify that the environmental management system is being operated appropriately and that continuous improvements are being made.

As for the audit results, no nonconformities were pointed out as in fiscal 2019. In addition, the follow-up survey on industrial waste disposal and the efforts to improve the corporate brand through environmental conservation in the new construction of our technology development center were evaluated as good examples of environmental management system activities.

In addition, the Sanda Factory and Fukuchiyama Factory voluntarily conduct internal environmental audits every year at all departments to confirm environmental initiatives and to ensure continuous improvement of the environmental management system.

Risk Management

We perform regular disaster drills organized by the Disaster Prevention and Pollution Control Subcommittee to prepare for situations that may have a severe impact on life, property, and our living environment.

In fiscal 2020, we conducted large-scale earthquake evacuation drills for all employees at our head office, Sanda Factory, Fukuchiyama Factory, and Kyushu Factory. The drills covered a variety of damage scenarios, including confirmation of communication via disaster prevention radios and satellite phones, firefighting, disaster victim transport activities, rescue activities, and cardiopulmonary resuscitation to minimize damage. We will continue to strengthen our life-saving drills, the initial phase of our BCP.

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 violation of laws and regulations and contamination of the local environment.

The facilities governed by laws and regulations and the regulated items at the Sanda, Fukuchiyama, and Kyushu Factories are summarized in the table to the right. We conduct regular surveillance and measurement to improve matters of concern and to maintain and preserve the environment.

	Applicable laws	Applicable facilities	Regulated items
Atmosphere system	Air Pollution Control Act	Absorption-type water cooler/heater	Soot and dust, sulfur oxides, nitrogen oxides
		Exhaust gas cleaning system	Items stipulated in Fukuchiyama City Environmental Conservation Charter
		Factory dust collector	Smoke and soot
Water system	Sewerage Law	Factory wastewater	Items stipulated in the Sanda municipal sewerage ordinance wastewater standard
			Items stipulated in Fukuchiyama City Environmental Conservation Charter
	Water Pollution Control Law	Storm drainage	Chromium compounds, dichloromethane
Soil contamination	Environmental standards for soil contamination	Groundwater on site	Soil study of substances used, in association with geographical history survey
Noise	Noise Regulation Law	All factory facilities	Noise at site boundary

Response to Toxic Substances

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.

Substances Subject to Notification under the PRTR Law (nonconsolidated)

(kg)

Name of substance	Decree number	FY2016			FY2017			FY2018			FY2019			FY2020		
		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*	80	2,028	20	67	2,365	13	32	1,472	11	76	1,980	11	110	1,801	10	56
Chromium and trivalent chromium compounds	87	3,061	0	2,139	3,215	0	2,200	3,411	0	2,400	4,067	0	4,100	3,630	0	2,500
Methylene chloride	186	22,500	19,210	3,290	29,730	26,000	3,730	29,600	25,700	3,900	28,500	23,300	5,200	39,700	37,000	2,700
1,2,4-Trimethylbenzene*	296	2,328	12	76	2,726	14	35	2,291	11	86	2,282	11	130	2,050	11	39
Lead	304	1,568	0	0	4,673	0	0	0	0	0	0	0	0	0	0	0

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

Energy Conservation Activities

We use electricity, kerosene and gas as the main sources of energy for our factories and primarily conduct activities to reduce electricity because of the large amount consumed.

In fiscal 2020, although the amount of electricity consumption increased due to the increase in production volume, we took steps to reduce energy consumption by reviewing the number of fan coil units for chillers and hot water heaters in the air conditioning system, switching to LED lighting in the factory buildings, and appropriately adjusting the number of compressors in operation according to production conditions.

Thanks in part to these activities, energy intensity per unit of production in fiscal 2020 was 3.9% lower than in fiscal 2019.

Disposal of Industrial Waste

Industrial waste generated in our business includes scrap metal, scrap fluororesins, waste oils, liquids, plastic, glass, ceramic and wood.

Each factory works to curb the amount of waste generated, while also working toward ongoing communication with industrial waste disposal and recycling companies to promote recycling and reduce the volume of waste disposed. Used paper, cardboard and other general waste are recycled by recycling companies. Our recycling process is designed to prevent leaks of confidential information, with used papers containing confidential information discharged directly to paper mills each year. Beginning with fiscal 2019, the same process has been adopted for confidential documents at our head office and branch offices.

In fiscal 2020, waste increased at the Fukuchiyama Factory in conjunction with an increase in orders received. However, metal and plastic waste associated with new construction at the Sanda Factory and the transfer of operations decreased over fiscal 2019, resulted in a company-wide drop of 18 points year-on-year on a waste output index basis.

Going forward, we will continue promoting efforts to lower the amount of waste discharged, both to make effective use of limited resources and to further curb the waste generated by our business activities.

Environmental Accounting

Environmental Conservation Cost (Target Period: April 2020–March 2021)

(Thousands of yen)

		Costs	Capital expenditure	Total	Main items
(1) Costs within the business area	(1)–1 Pollution prevention cost	58,989	51,121	110,110	• Cost of inspection, testing, and administration of sewerage system and for prevention of water contamination; capital expenditure • Cost of inspection, testing, and administration for the prevention of air pollution • Cost of disaster prevention • Cost of eliminating the use of toxic chemical substances • Capital expenditure for prevention of fire and other disasters, inspection, management and maintenance costs
	(1)–2 Global environmental conservation cost	8,030	29,723	37,753	• Updating equipment and investment to conserve energy • Updating equipment and investment to prevent climate change
	(1)–3 Resource circulation cost	26,920	13,080	40,000	• Cost of industrial waste disposal • Cost of general waste disposal • Cost of promoting industrial waste recycling • Capital expenditure for waste reduction
(2) Administration cost		3,849	154	4,003	• Cost of ISO 14001 audit • External training costs, including training of internal environmental auditors • Environmental education costs, such as books on environmental laws and regulations • Cost of cleanups in factories and surrounding areas • Cost of disaster prevention construction
(3) R&D cost		263,401	63,161	326,562	• Cost of development and improvement of environmentally conscious products • Capital expenditure for development of environmentally conscious products • Capital expenditure for evaluation and testing of environmentally conscious products
(4) Social activity cost		10,308	125	10,433	• Cost of cleanups of surrounding areas near factories • Contributions to local environmental funds • Cost of publishing our Integrated Report
Total		**371,497**	**157,364**	**528,861**	

Fiscal 2020 Voluntary Environmental Activity Targets and Track Record

No.	Challenges	Department	Environmental initiatives	Fiscal 2020 environmental targets	Content and results of activities
1	Energy saving	Production Division	Saving energy with equipment	Implementation of applicable operations in accordance with the production status of compressors	**[Result: 3 units reduction in total]** Number of units in operation adjusted according to production status
2		Production Division	Saving energy with equipment	Examination and verification of energy-saving improvement measures 3 items/year	**[Result: Improved (3 items)]** LED lighting adopted Inverter adopted to suppress motor output Multi-cavity nut mold
3	Waste emissions	Production Division	Reducing waste	Reduction of defective antenna waste Target: 0.06 kg/million yen	**[Result: 0.04 kg/million yen]** Measures taken to prevent lifting of double-faced tape
4		Production Division	Improving recycling rate	Fluororesin recycling rate: 90% or more Search and creation of recyclable products: 1 product/half year	**[Result: Recycling rate of molded prototype: 97.9%]** Carbide tool recycled Fluororesin used in PFA extruded round bar recycled
5		Production Division	Reducing waste	Reduction of defect rate of injection molded products Defect rate: 3% or less	**[Result: Defect rate (2.6%)]** Annual defect rate 2.6%: Target achieved
6		Production Division	Reducing waste	Reduction of foreign matter defects in pump materials (Defect rate: 2.2% or less)	**[Result: Defect rate (2.14%)]** Target annual defect rate achieved by continuous feedback to operators
7		Production Division	Reducing waste	10% reduction in fluororesin waste	**[Result: Reduction rate (66%)]** 66% reduction against the target of 10%: Achieved
8		Factory Staff Division	Reducing waste	10% reduction in food loss	**[Result: Waste reduction rate (50%)]** Target values exceeded; surveyed increase/decrease in manpower; investigated the amount of waste
9	Reduction of environmentally hazardous substances	Procurement Division	Promoting green procurement	Strengthening green procurement and disseminating inside and outside the Company Plan promotion: 100%	**[Result: Plan promotion rate (100%)]** Green Procurement Standards were issued and distributed externally, questionnaires were conducted, and the standards were steadily implemented internally.
10	Development of environmentally conscious products	Technology and Development Division	Development of bipolar plate for redox flow batteries	Oxidation resistance at customer Evaluation achievement rate: 100%	**[Result: Achievement rate (100%)]** Customer evaluation results of new materials were satisfying
11		Technology and Development Division	Development of resource-saving products	Sales of environmentally conscious products to customers (10 customers/year)	**[Result: Provision to customers (16 customers)]** 16 customers against the target of providing to 10 customers: Target achieved
12		Technology and Development Division	Development of energy-saving products	Penetration of long-life products with new sliding materials Development of 2 new materials	**[Result: New material development (2 materials)]** 2 new materials: Target achieved

Column

Curbing energy consumption during production with a spur-of-the-moment idea

We use a lot of energy in the production of fittings and tubes, our main products, because the resin is melted at a high temperature in a cleanroom where air is circulated 24 hours a day and then pressed into molds for molding.

I am working to reduce this energy consumption. Specifically, my job is to contribute to resource and energy conservation by designing injection molds, prototyping, and improving facilities to reduce defective products and improve productivity. It is not easy to question the status quo and the norm, formulate a hypothesis, verify it, and implement it, but I will never forget the joy I felt when I was able to halve the energy consumption per product with a sudden idea. With this experience as my motivation, I would like to continue to work on saving resources and energy without wasting limited resources.

Kenta Onishi
Injection Engineering Group, Fukuchiyama Production Engineering Department

R&D

The Company owns a large number of patented products. To introduce these products into the market, we conduct a number of experiments that assume actual operating conditions. Our research and development, supported by the latest verification technologies, continues to evolve toward even higher goals.

Seeking New Values and Striving to Research and Develop Unknown Materials

ICP-MS

ICP-MS is an elemental analyzer that uses inductively coupled plasma to ionize elements contained in a liquid sample for qualitative and quantitative evaluation of trace elements.

* Presented with permission from Agilent Technologies, Inc.

Analytical software (CAE)

CAE is used to conduct structural and fluid analysis, to enable quantitative studies of the optimum seal shape and flow path shape according to product specifications, which in turn contributes directly to the design and proposal of the product.

Product laboratories for semiconductor and LCD manufacturing equipment

We have a laboratory equipped with a neutralization system to handle various types of liquid chemicals used in the semiconductor market.

Large-scale high-speed testing machine

This is a high-pressure, high-speed rotating testing machine used to evaluate the performance of mechanical seals under severe operating conditions in actual machines.

Test equipment for high pressure valve & high pressure gas booster

Data such as leakage amount, sliding load, and tightening pressure under pressure conditions of up to 100 MPa can be collected using these devices, and the data is used for the development of high-pressure packing.

Horizontal-type valve testing equipment and automatic data logger

The testing equipment imitates a valve, and the data logger automatically collects data such as leakage amount, sliding load, and tightening pressure under a wide range of temperatures and pressures from high to low.

Quality Assurance

In order to achieve the quality required at all stages from product development to design, production, sales, and after-sales service, all of our internal quality assurance organizations cooperate with each other and work together to provide quality that meets the demands of the times based on our Company motto: Quality First.

Continuing to Deliver World-Class Quality to Every Segment

Analytical scanning electron microscope (SEM)

In addition to scanning and irradiating electron beams and capturing the signals generated by the magnetic field type lens as images, our SEM can also identify elements contained in materials. It is mainly used for surface observation of developed products, fracture surface observation of returned products, and foreign material investigation.

Infrared spectrometer (IR)

By continuously irradiating infrared rays with varying wavelengths, molecular structures can be identified from the unique spectra corresponding to the vibration energy inherent in molecules. Our IR is mainly used for checking rubber materials and investigating foreign substances in returned goods.

X-ray diffractometer (XRD)

By irradiating X-rays while changing the angle, our XRD can identify and specify substances with the same constituent elements based on the difference in crystal structure from the angle of irradiation and X-ray intensity. It is mainly used to confirm the crystal structure of developed products.

Thermomechanical analyzer (TMA)

Our TMA can heat and cool materials in a wide range from low to high temperatures, and measure thermo-mechanical properties such as thermal expansion, thermal contraction, and softening. It is mainly used to check the linear expansion coefficient of developed products.

ISO Certification and IATF Certification

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

ISO Certification

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

JQR-QMA16224

MS CM009

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

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 fluororesin substrates

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index uses TOPIX as its universe and determines the weighting of constituent stocks by focusing on the level of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales). The Company has been continuously included in this index since 2018.

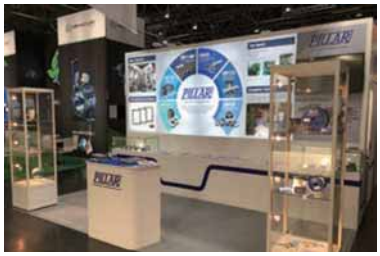
ESG/SDGs Assessment Loan

In the ESG/SDGs Assessment Loan provided by Sumitomo Mitsui Banking Corporation, the Company was judged to be of a very high standard in terms of “initiatives in environmentally friendly products and services,” “initiatives in business activities (climate change),” and “integrity toward customers.” In addition, the Company was judged to be highly motivated to contribute to the achievement of the SDGs through its business by implementing good ESG initiatives and information disclosure in its corporate management.

Won the Plunkett Award

Our PILAFLON products “Super 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.

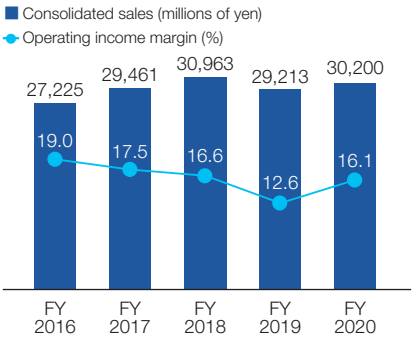
(Millions of yen)

	2016	2017	2018	2019	**2020**
Financial Data					
Consolidated statement of income:					
Sales (consolidated)	27,225	29,461	30,963	29,213	**30,200**
Japan	22,416	23,124	23,904	21,427	**21,975**
Asia	3,172	4,528	4,345	5,316	**5,721**
Others	1,637	1,809	2,713	2,470	**2,504**
Overseas sales ratio (%)	17.7	21.5	22.8	26.7	**27.2**
Sales (nonconsolidated)	25,803	28,091	28,987	26,592	**28,368**
Operating income	5,166	5,161	5,126	3,683	**4,847**
Operating income margin (%)	19.0	17.5	16.6	12.6	**16.1**
Ordinary income	5,255	5,156	5,227	3,725	**5,094**
Profit before income taxes	4,609	5,014	5,456	3,653	**4,837**
Profit attributable to owners of parent	3,204	3,422	3,719	2,635	**3,445**
Cash flow from operating activities	3,220	3,752	5,035	4,064	**5,676**
Cash flow from investing activities	(2,363)	(3,244)	(3,902)	(2,950)	**(3,705)**
Cash flow from financing activities	813	(1,455)	(1,493)	(1,862)	**(2,238)**
Cash and cash equivalents	12,729	11,813	11,582	10,798	**10,517**
Capital expenditure	4,189	3,008	5,110	3,531	**972**
Depreciation	1,022	1,397	1,718	1,822	**2,056**
Consolidated statement of financial position:					
Total assets	49,347	51,539	52,972	53,190	**54,949**
Property, plant and equipment	15,493	18,107	20,266	21,971	**20,669**
Interest-bearing debt	2,147	1,609	1,082	693	**254**
Net assets	36,740	39,834	42,169	43,010	**45,776**
Per-share indicators:					
Profit (yen)	131	140	152	109	**145**
Net assets (yen)	1,503	1,629	1,725	1,781	**1,937**
Dividend (yen)	34.00	36.00	45.00	40.00	**50.00**
Management indicators:					
Equity ratio (%)	74.5	77.3	79.6	80.9	**83.3**
ROA (%)	7.0	6.8	7.1	5.0	**6.4**
ROE (%)	9.1	8.9	9.1	6.2	**7.8**
Payout ratio (%)	25.9	25.7	29.6	36.8	**34.6**
Non-Financial Data					
CO_2 emissions (t-CO_2)*1	12,046	12,744	11,628	9,682	**9,579**
CO_2 emission intensity (t-CO_2/100 million yen)*1	46.7	45.4	40.1	36.4	**33.8**
Total energy consumption (kl)*2	5,873	6,229	6,587	6,675	**6,840**
Of which, electricity (kl)*2	5,555	5,919	6,262	6,359	**6,559**
Of which, gas (kl)*2	88	115	136	136	**144**
Of which, fuel (kl)*2	230	195	188	180	**136**
Energy intensity (kl/100 million yen)*2	22.8	22.2	22.7	25.1	**24.1**
Solar power generation (kWh)*3	795,600	857,330	871,800	785,583	**824,804**
Water intake (thousand m^3)	93	112	114	116	**116**
Waste generated (t)	672	753	761	665	**661**
Volume sold (t)	413	455	404	337	**335**
Volume recycled (t)	133	157	178	188	**158**
Volume disposed (t)	126	141	179	141	**168**
Recycling rate (%)	81.3	81.3	76.4	78.9	**74.6**
Waste output index (%)*4	100	76	97	89	**71**
Employees (consolidated basis)*5	711	764	797	809	**759**
Temporary employees including contract and part-time workers (consolidated basis)	213	193	170	167	**175**
Employees (nonconsolidated basis)*5	534	554	531	533	**541**
Male employees (nonconsolidated basis)	439	457	429	432	**438**
Female employees (nonconsolidated basis)	95	97	102	101	**103**
Overseas employees	79	107	120	132	**87**
Consolidated employee turnover rate (%)*6	2.1	3.0	4.0	3.9	**2.4**
Nonconsolidated employee turnover rate (%)*6	1.7	2.4	4.3	3.3	**2.3**

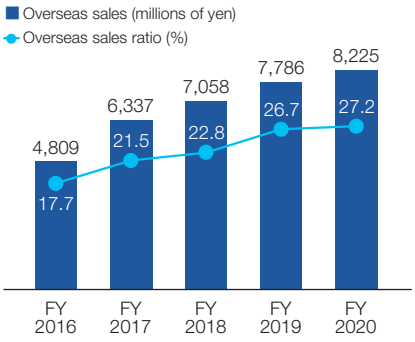
*1 Scope 1 and Scope 2. Scope: Nonconsolidated. The CO_2 emission factor for electricity is the "basic emission factor" of the "emission factor by electric utility" published by the Ministry of the Environment. For some of our sales offices, we use alternative values published by the Minister of the Environment and the Minister of Economy, Trade and Industry for CO_2 emission factors.
*2 Crude oil equivalent *3 Annual power generation from January to December *4 Index with FY2016 as 100 *5 Full-time employees only
*6 Full-time employees only; excludes those reaching mandatory retirement age

Financial Indicators

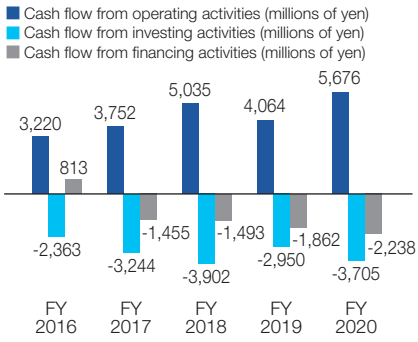
Consolidated sales/Operating income margin



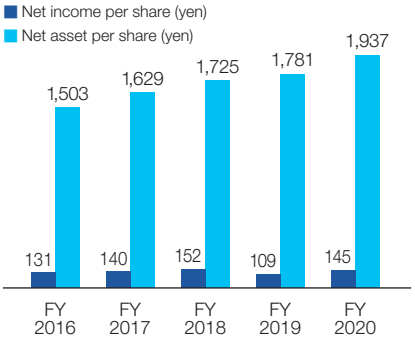
Overseas sales/Overseas sales ratio



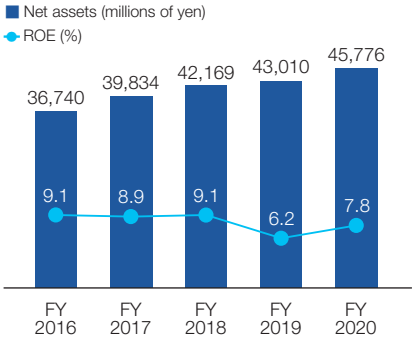
Cash flow



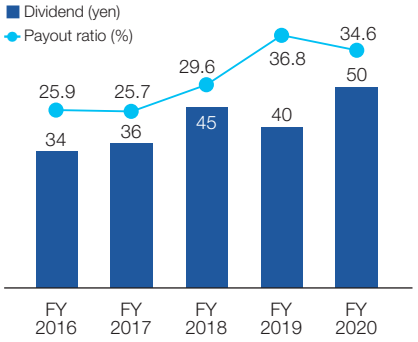
Net income per share/Net asset per share



Net assets/ROE

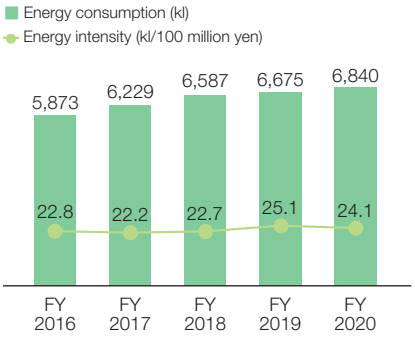


Dividend/Payout ratio



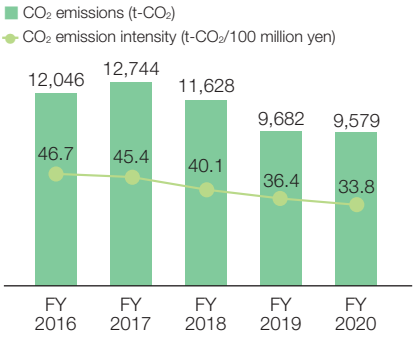
Non-Financial Indicators

Energy Consumption (nonconsolidated)

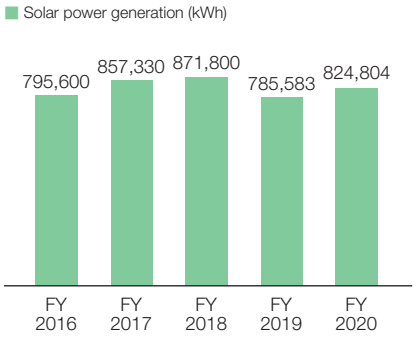


・Crude oil equivalent

CO_2 emissions (nonconsolidated / Scope 1 + Scope 2)

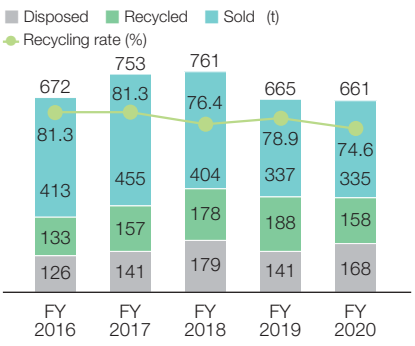


Solar power generation



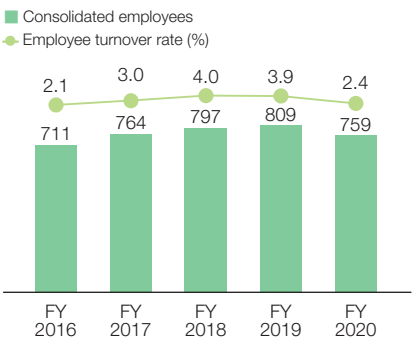
・Annual power generation from January to December

Waste generated/Recycling rate



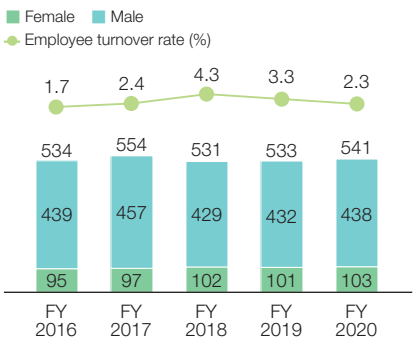
・Waste for recycling includes scrap metal, scrap fluororesins, waste oils, liquids, plastics, and paper
・Recycling rate = (Recycled volume + Volume sold) / Total volume of waste generated × 100

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

Company Information (As of March 31, 2021)

Company name	Nippon Pillar Packing Co., Ltd.
Headquarters 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	First Section, Tokyo Stock Exchange
Total number of shares	25,042,406 shares
Number of stockholders	13,792
Number of employees	759 (consolidated)
Main products	Fluororesin products, bearing products, new ceramic products, mechanical seals, gland packing, gaskets
URL	https://www.pillar.co.jp/en/

NIPPON PILLAR PACKING CO., LTD.

7-1, Shinmachi 1-chome, Nishi-ku, Osaka 550-0013, Japan
https://www.pillar.co.jp/en/

February 2022