

# 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 Company with an audit and supervisory committee	Advisory body to Board of Directors Independent committees	Number of directors (excluding directors who are Audit & Supervisory Committee members) 6
Number of directors who are Audit & Supervisory Committee members 3 (including 2 outside directors)	Number of independent directors including Audit & Supervisory Committees members 4	Number of Board of Directors meetings in fiscal 2020 6
Term of office for directors 1 year	Performance-linked remuneration Provided	Takeover defense measures 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  
Jun. 2020 General Manager, Sales Headquarters  
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, SENQICIA 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	<b>Junji Ohmiya</b>	General Manager, Sales Headquarters and Sales Department 3;
Managing Executive Officer	<b>Sadamitsu Yamauchi</b>	General Manager, AE Business Department and Development General Manager
Executive Officer	<b>Masaki Miyamoto</b>	General Manager, Seismic Isolation Business Department
Executive Officer	<b>Masato Wada</b>	General Manager, Engineering Headquarters
Executive Officer	<b>Hiroshi Shingen</b>	General Manager, Production Engineering Headquarters; General Manager, Fukuchiyama Factory
Executive Officer	<b>Masaki Shibaiki</b>	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.

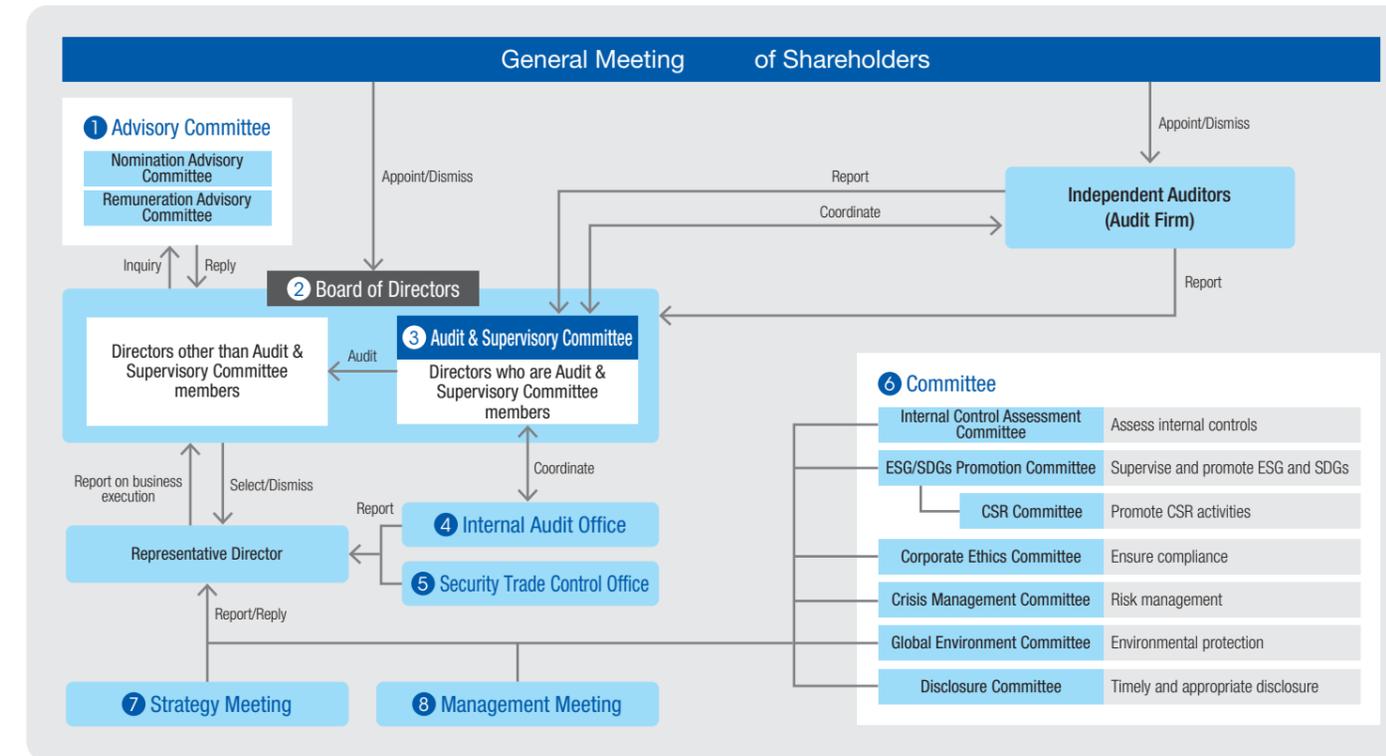
## 2 Board of Directors 9 directors

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.

### 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



## 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.

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.

## 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.

## 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.

### 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.

## 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)

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

## 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.

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.

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.

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.

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

PILAFON, 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 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.

#### 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.

## 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.