



**Financial Results Briefing Materials for  
the Fiscal Year Ended March 31, 2021**

May 21, 2021  
Securities code: 6490

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

# Highlights of Results Briefing

## Results of FYE March 31, 2021

### Increase in both sales and profits

- Sales: ¥30,200 million (Year-on-year change +3.4%)
- Operating income: ¥4,847 million (Year-on-year change +31.6%)

### Sales by segment

- Industrial equipment business: Demand for oil plants and others was weak, despite strong demand for precision machinery and equipment.
- Electronic equipment business: There was a substantial increase in orders of products for semiconductor and LCD manufacturing equipment-related industries.

### Profits

- Driven by the increase in both sales and profits recorded by the Electronic equipment business, both operating income and operating income ratio improved significantly.

### Dividend

- Dividend increase is planned.: Full-year dividend per share will increase to ¥50.  
[further increase of ¥5 from our February 2021 projection]

## Earnings Projection for FYE March 31, 2022

### Both sales and operating income are expected to hit record highs.

- Sales: ¥33,500 million (+10.9%)
- Operating income: ¥6,000 million (+23.8%)

### Dividend increase expected

- The Company forecasts a full-year dividend of ¥60 per share (dividend payout ratio of 34%).

## BTvision22 - Medium-term Management Plan

### Final-year targets have been revised upwardly.

- Sales: ¥35,000 million (¥+2,500 million)
- Operating income: ¥6,500 million (¥+1,400 million)

- 1. General Overview**
- 2. Consolidated Results for the Fiscal Year Ended March 31, 2021**
- 3. Earnings Projection for the Fiscal Year Ending March 31, 2022**
- 4. Progress of BTvision22 – Medium-term Management Plan**
- 5. Reference Materials**



# 1. General Overview

# Summary of FYE March 31, 2021 Financial Results

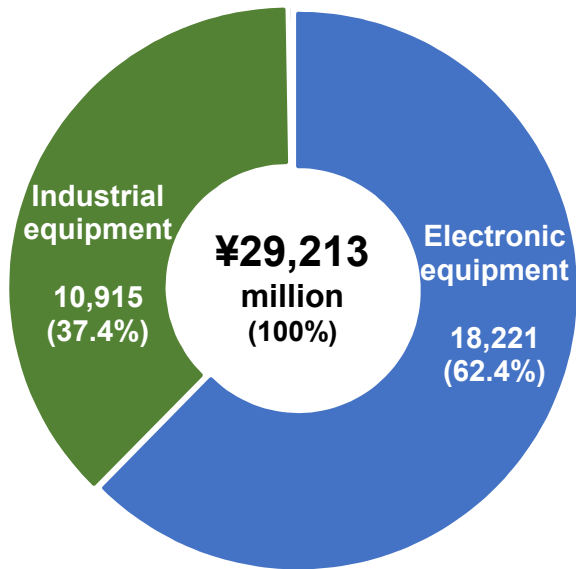
(Unit: Million Yen)

	FY19	FY20	Year-on-year change	
	Results	Results	Increase (Decrease)	Change rate (%)
<b>Consolidated results</b>				
<b>Sales</b>	29,213	<b>30,200</b>	987	3.4
<b>Operating income</b>	3,683	<b>4,847</b>	1,164	31.6
Operating income ratio	12.6%	<b>16.0%</b>	3.4P	—
<b>Ordinary income</b>	3,725	<b>5,094</b>	1,369	36.8
<b>Net income</b>	2,635	<b>3,445</b>	810	30.7
<b>Net earnings per share</b>	108.57	<b>144.66</b>	36.09	—

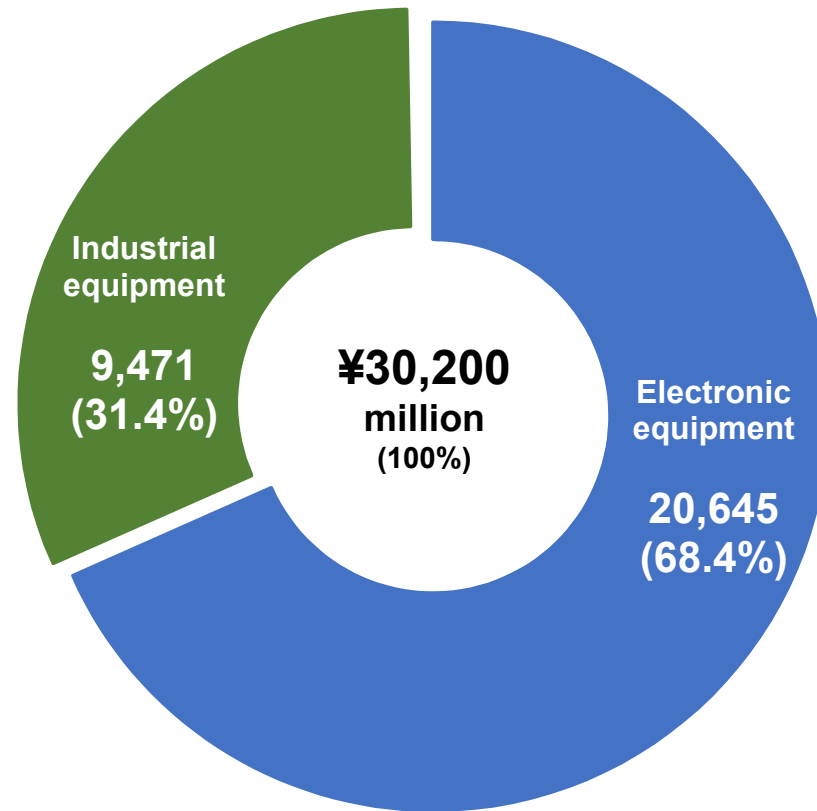
## By segment

<b>Industrial equipment business</b>				
<b>Sales</b>	10,915	<b>9,471</b>	<b>-1,444</b>	<b>-13.2</b>
<b>Operating income</b>	1,403	<b>691</b>	<b>-712</b>	<b>-50.7</b>
<b>Electronic equipment business</b>				
<b>Sales</b>	18,221	<b>20,645</b>	2,424	13.3
<b>Operating income</b>	2,253	<b>4,130</b>	1,877	83.3

# FYE March 31, 2021 Sales by Segment



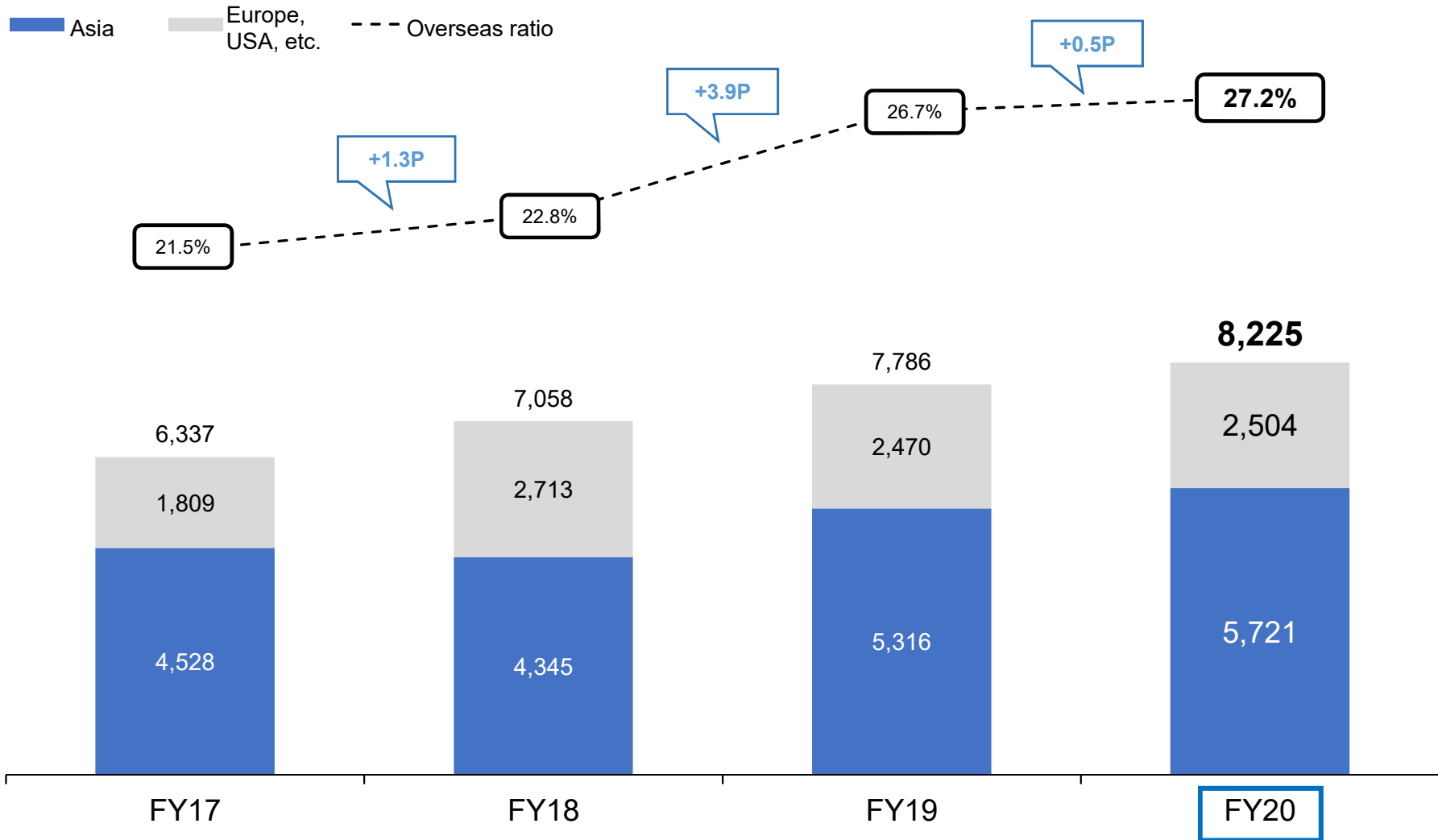
FY19



FY20

# Overseas Sales Trends

Unit: Million Yen





## **2. Consolidated Results for the Fiscal Year Ended March 31, 2021**

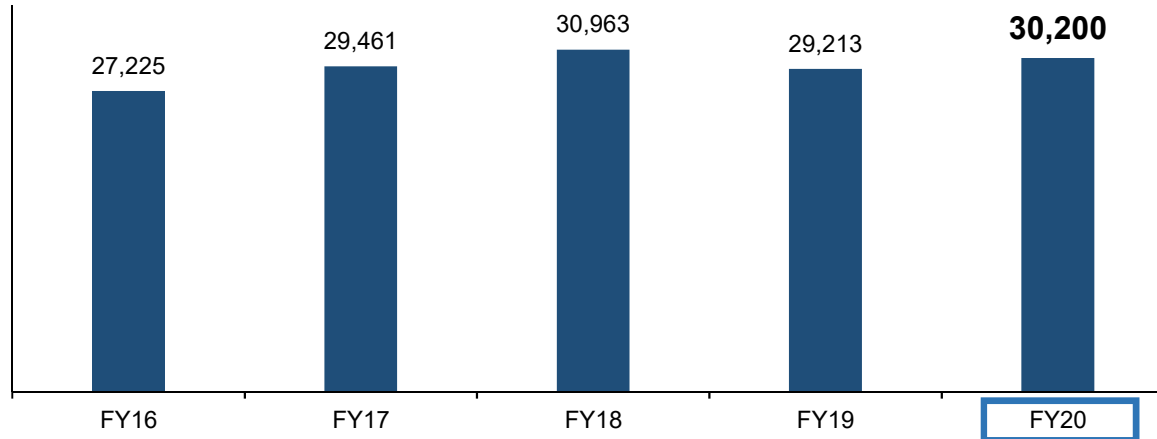


# FYE March 31, 2021 Earnings Trends

## Sales

(Unit: Million Yen)

(YoY +3.4%)

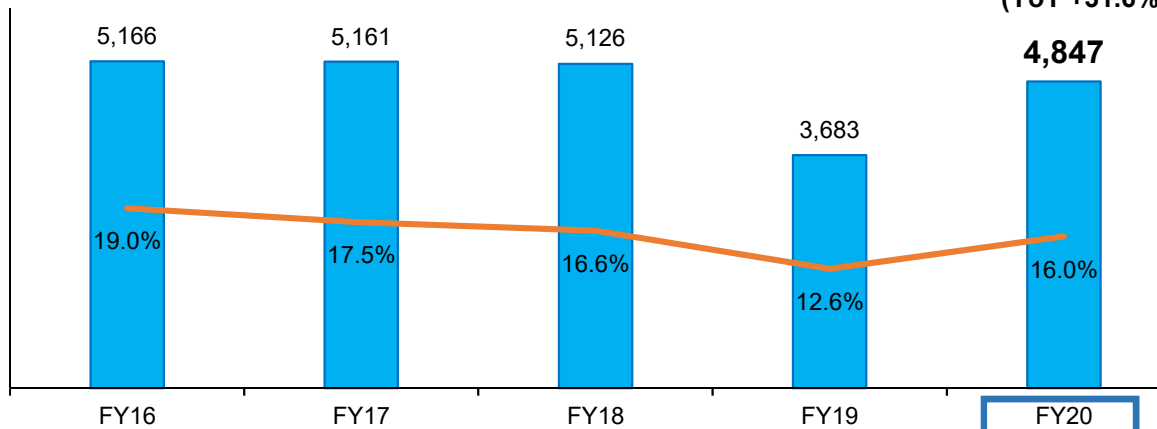


## Points

- Sales hit second highest total ever.
- Industrial equipment business posted decrease in both sales and operating income.
- Electronic equipment business enjoyed increase in both sales and operating income.

## Operating income/Operating income ratio

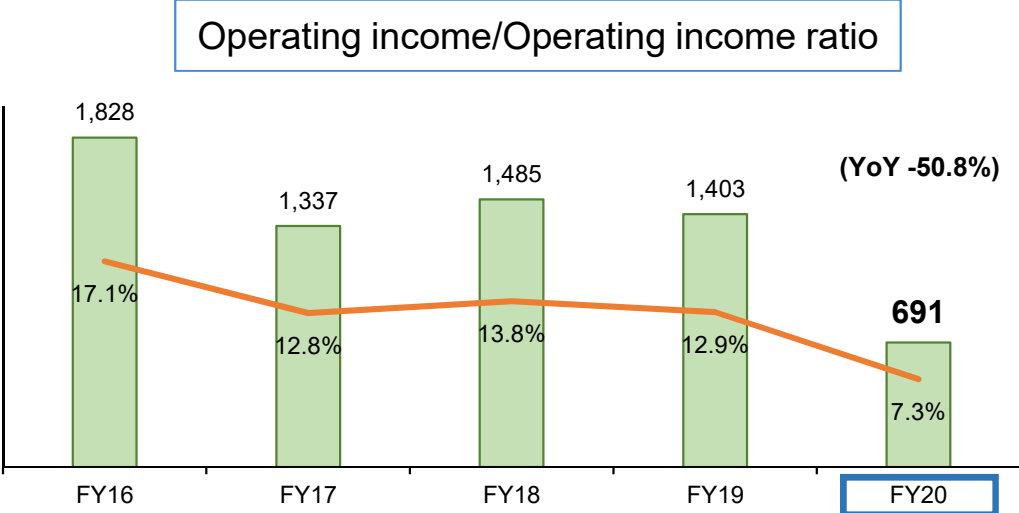
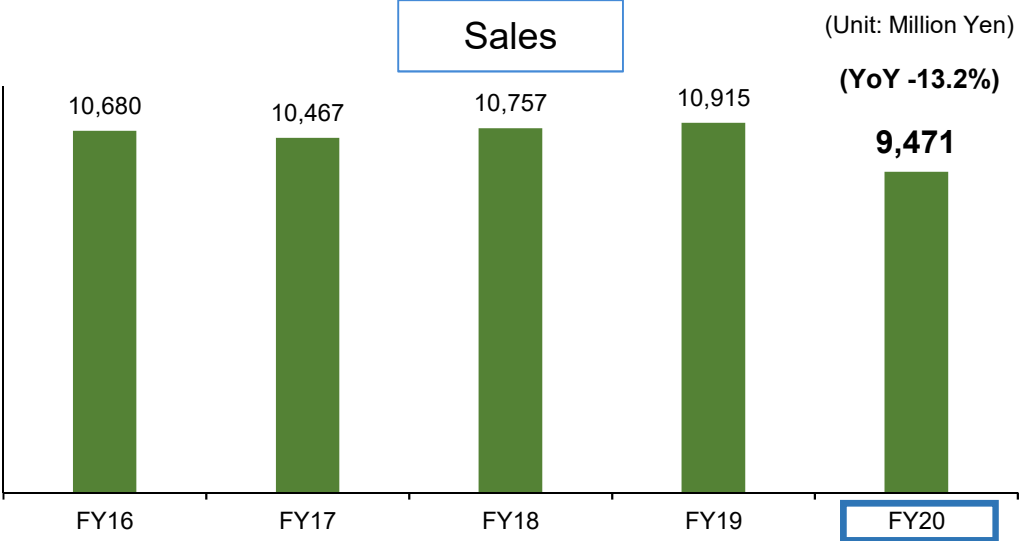
(YoY +31.6%)





# Earnings Trends by Segment [1]

## Industrial equipment business



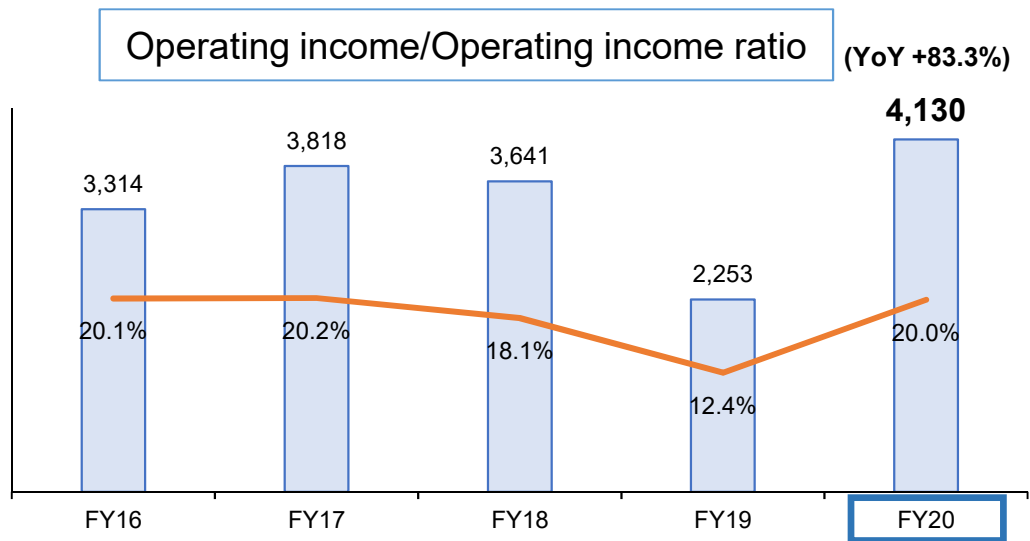
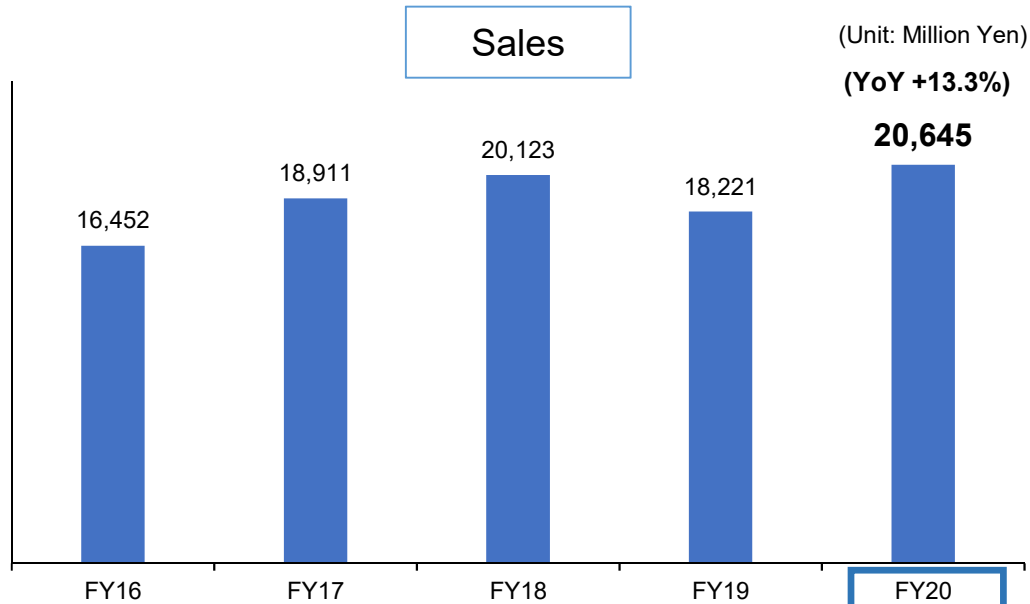
### Points

- Sales of mechanical seal products for precision machinery and equipment remained strong
- Because it is not in sight that when the global pandemic of Covid-19 will die down, companies are cautious about equipment investments, such as new overseas plant projects.
- With the start of full-scale operation of our new Sanda Factory (March 2020), depreciation cost and real estate acquisition tax cost increased.
- Due to the discrepancy in the interpretation of contract, one-time expenses were incurred in the United States.



# Earnings Trends by Segment [2]

## Electronic equipment business

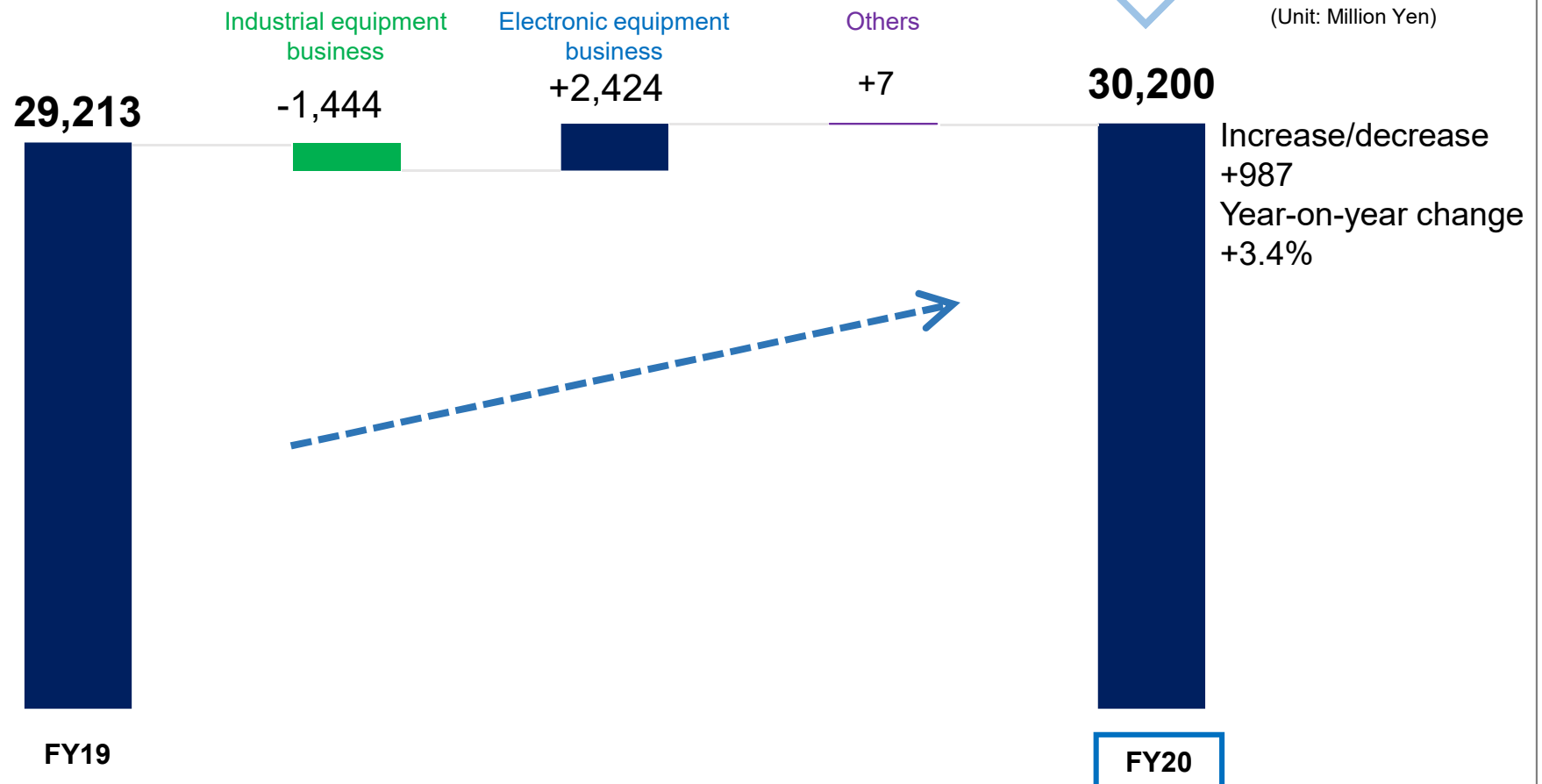


- Points**
- Both sales and operating income hit record highs.
  - Amid the Covid-19 pandemic, the spread of telework and Digital Transformation (DX) is gaining speed, increasing demand for different types of semiconductors for PCs and servers.
  - Due to the growing global demand for semiconductors amid the shortage of in-vehicle semiconductors, this segment achieved earnings higher than expected.
  - Operating income increased dramatically through continuous efforts in cost-cutting activities, defect rate improvement activities and shortening of lead time, as well as improvement of product mix.

# Analysis of Increase/Decrease in FYE March 31, 2021 Sales

Industrial equipment business: Lower demand for mechanical seals for the petroleum and oil chemical markets

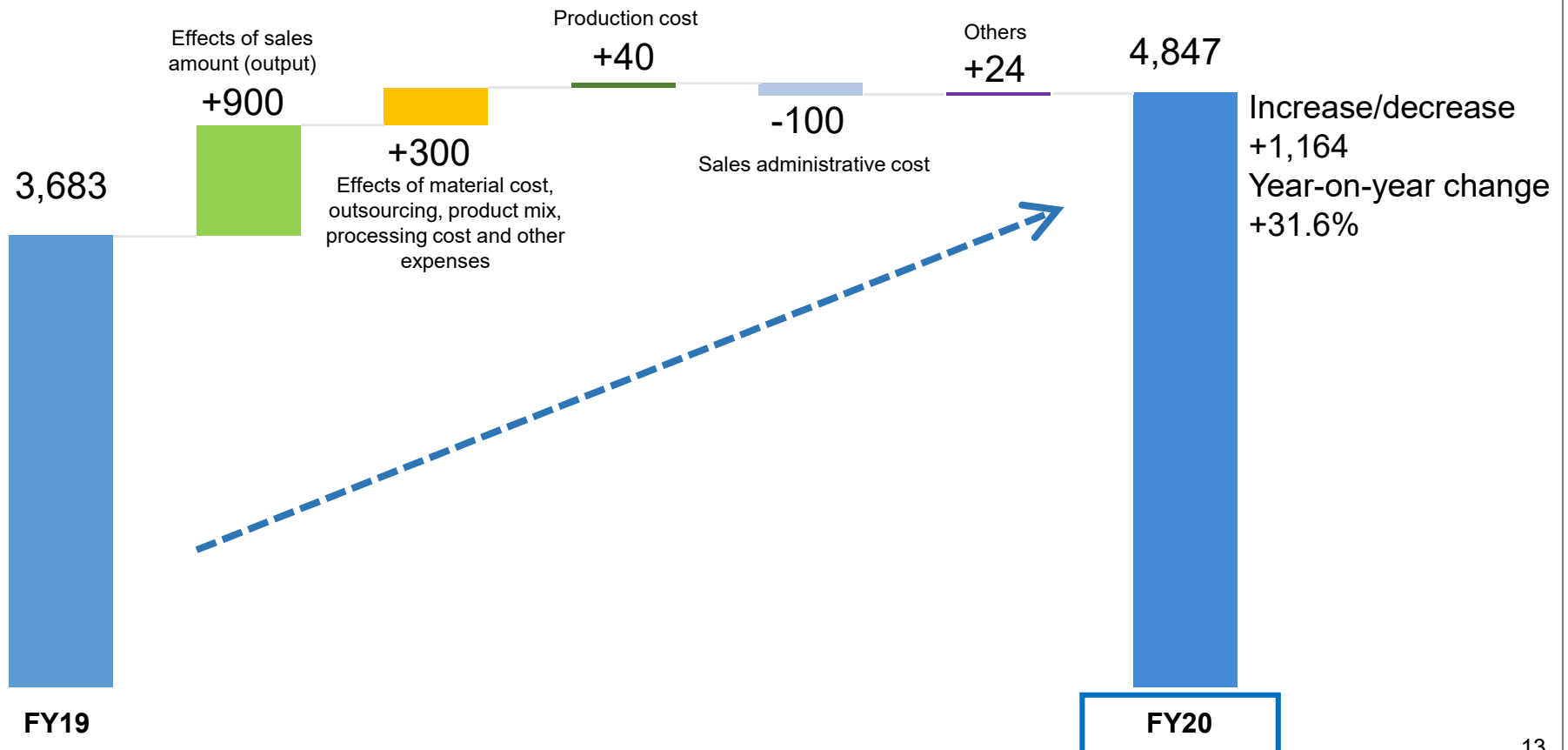
Electronic equipment business: Brisk capital investment in the semiconductor industry amid rising demand in tandem with a sharp increase of telework, DX, etc.



# Analysis of Increase/Decrease in FYE March 31, 2021 Operating income

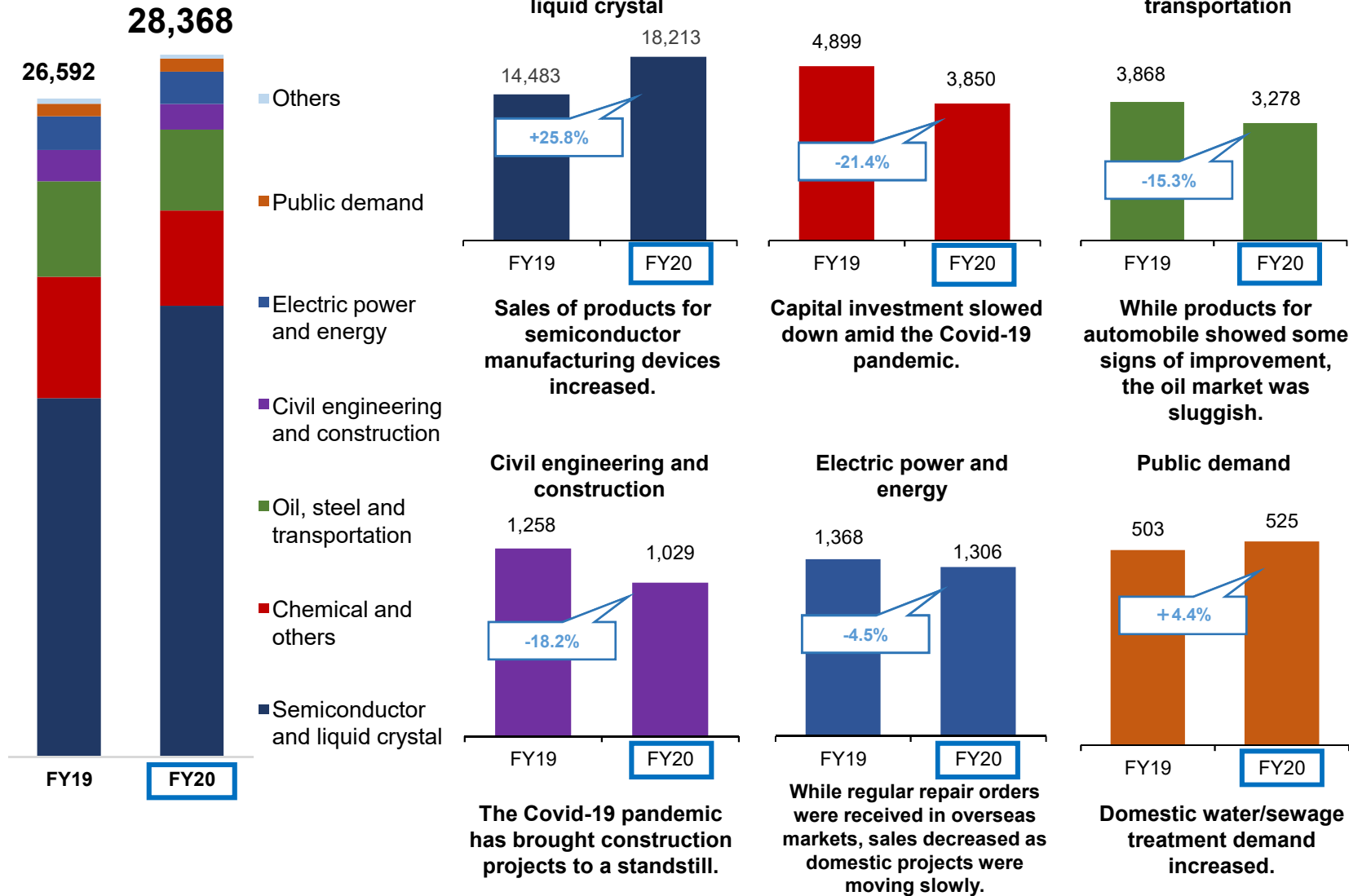
Despite increased depreciation cost and tax burden of our new Sanda Factory, profit growth posted by the Electronic equipment business and expense reduction through self-restraint in business trips amid to Covid-19 pandemic also contributed to the good results.

(Unit: Million Yen)



# Sales by Market (Non-consolidated)

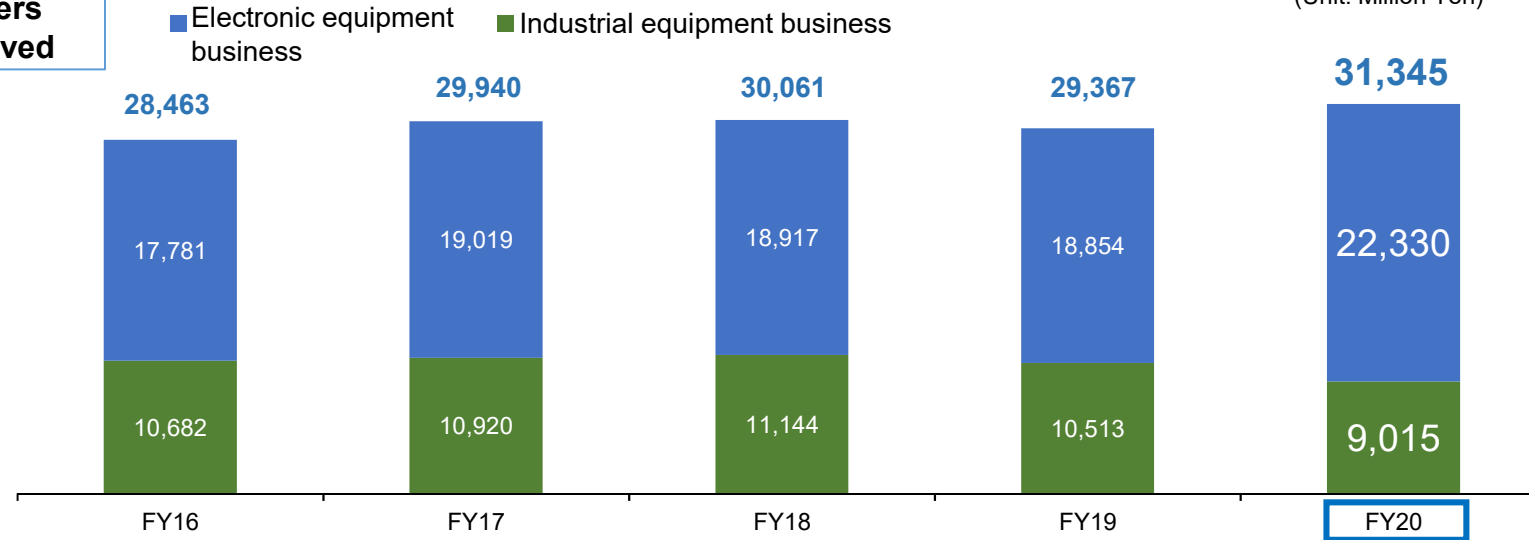
(Unit: Million Yen)



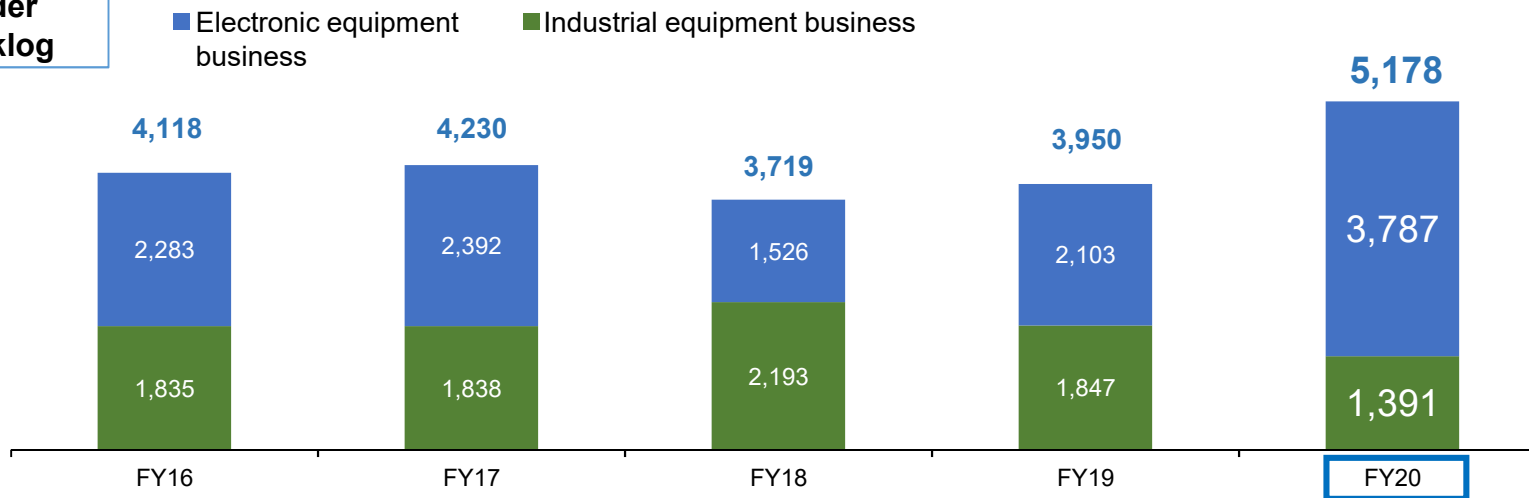
# Changes in Orders Received and Order Backlog

(Unit: Million Yen)

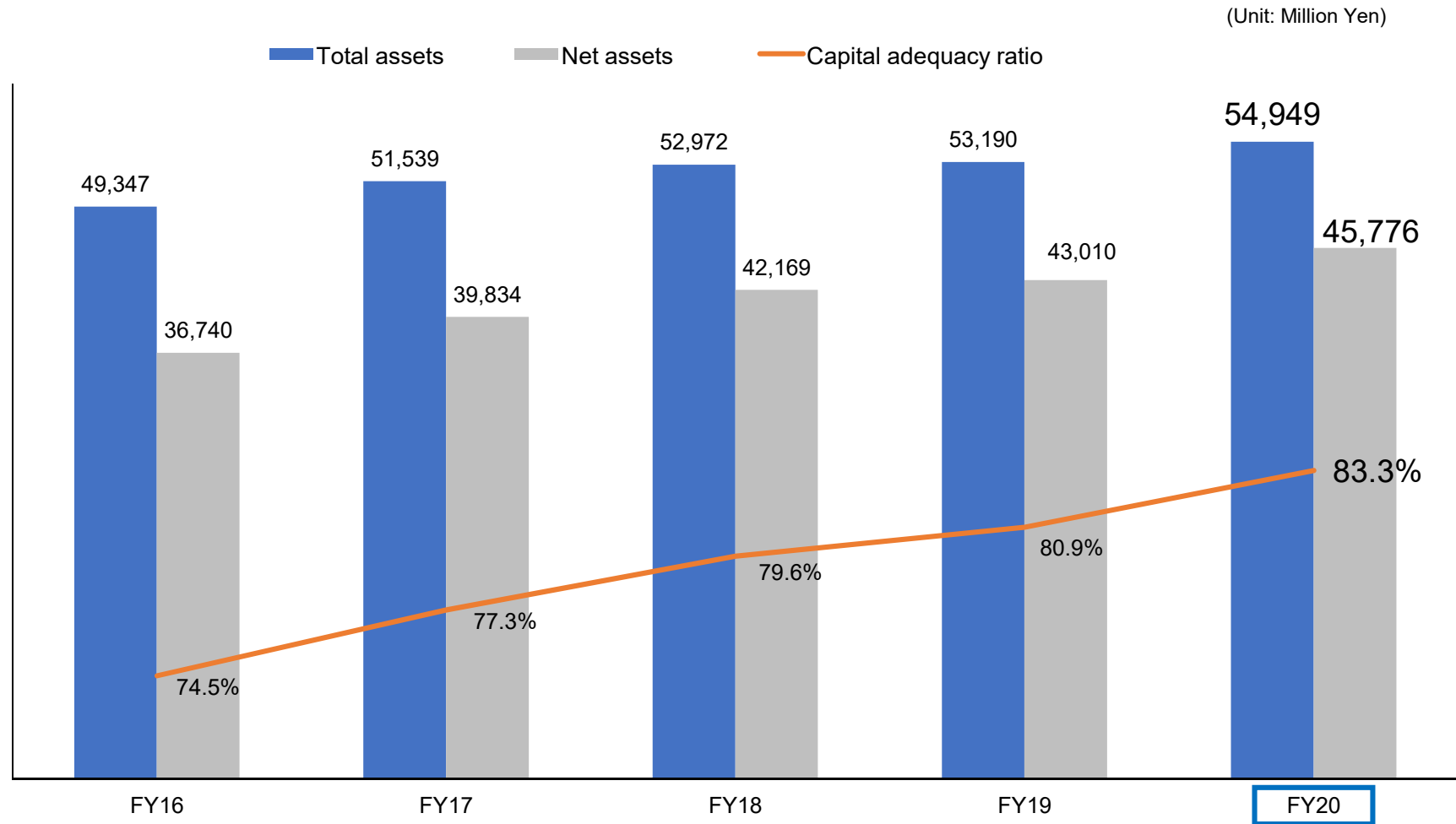
## Orders received



## Order backlog



# Financial Status



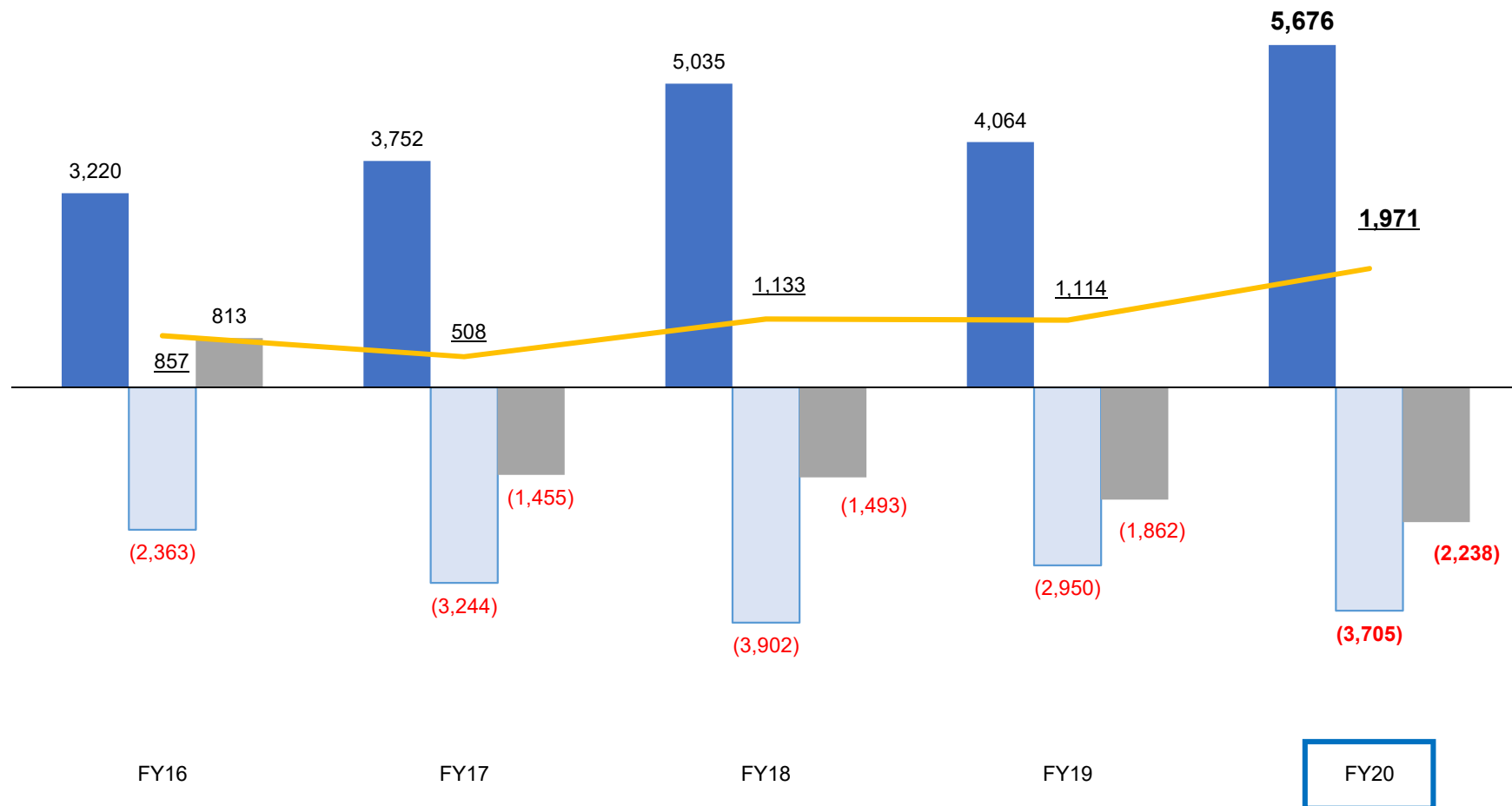
\* We applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" with effect from the beginning of the fiscal year ended March 31, 2019, and retroactively applied the same standard to the relevant figures to our financial results for the fiscal year ended March 31, 2018.



# Cash Flow

■ Cash flow from operating activities    ■ Cash flow from investment activities  
■ Cash flow from financing activities    — Free cash flow

(Unit: Million Yen)

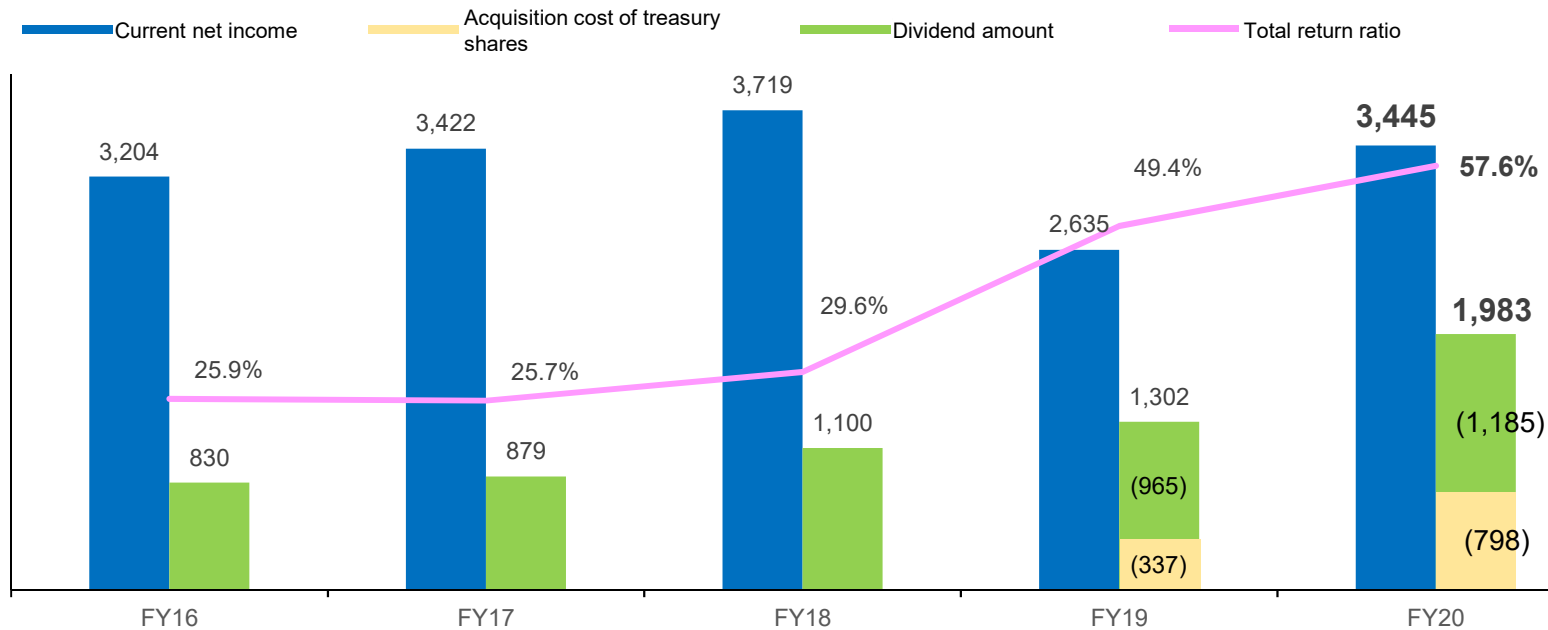


# Acquisition of Treasury Shares

- Acquired treasury shares (532 thousand shares, ¥798 million).
- To reflect our strong performance, we increased full-year dividend per share for the fiscal year ended March 31, 2021 from ¥45 to ¥50.
- Total return ratio: 57.6%

## Trends of net income and distribution of profits

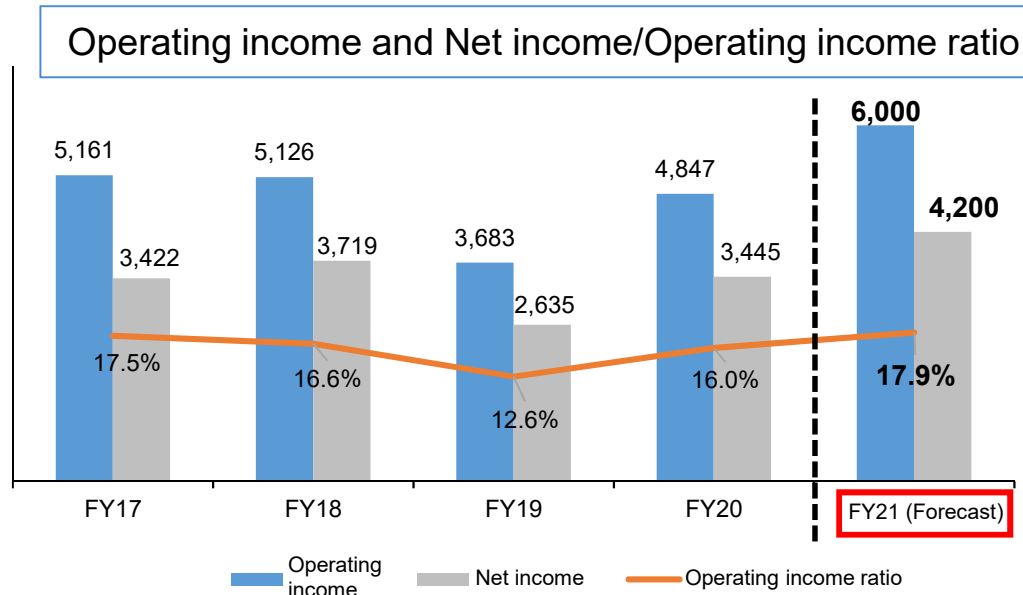
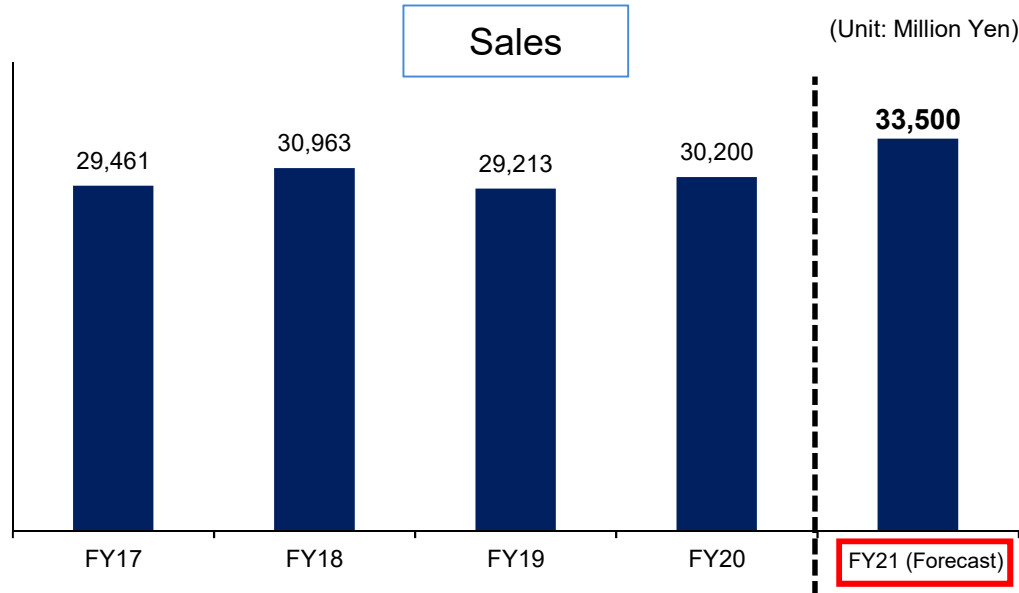
(Unit: Million Yen)





### **3. Earnings Projection for the Fiscal Year Ending March 31, 2022**

# Company-wide Sales Projection



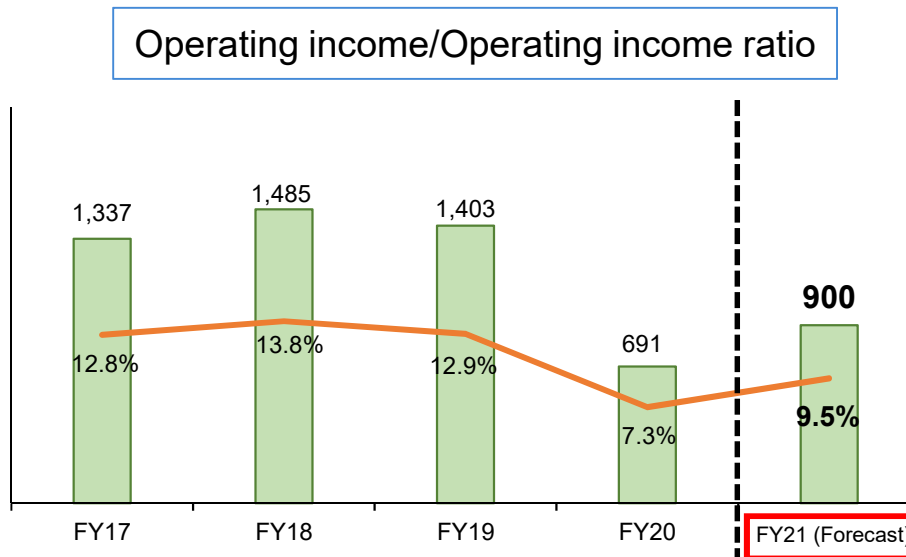
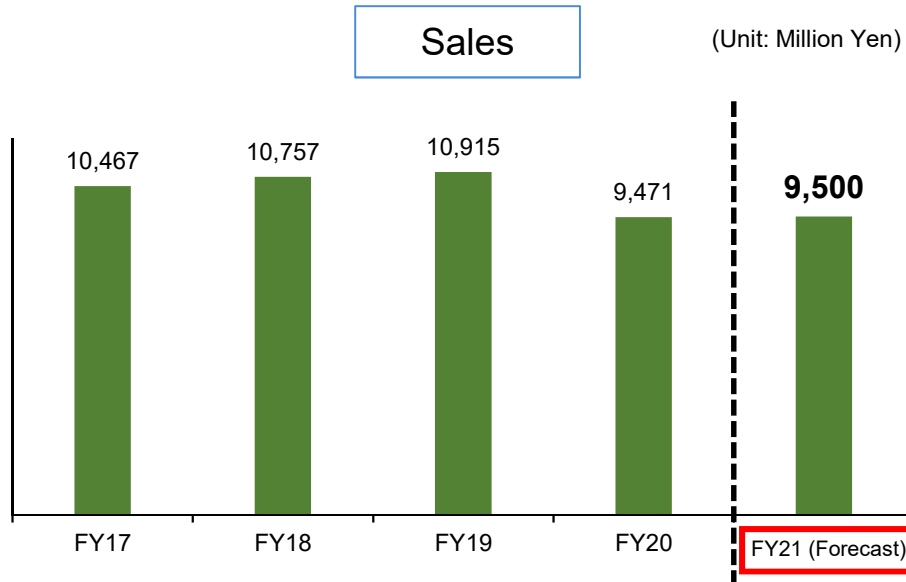
## Points

- Both sales and profits will hit all-time highs.
- Capital investment in the semiconductor industry will remain at a high level.
- Supply responsibility will be fulfilled by increasing production capacity to meet the growing semiconductor demand.
- Industrial equipment business will actively enter new energy markets such as hydrogen and ammonia.



# Projection of Sales by Segment [1]

## Industrial equipment business



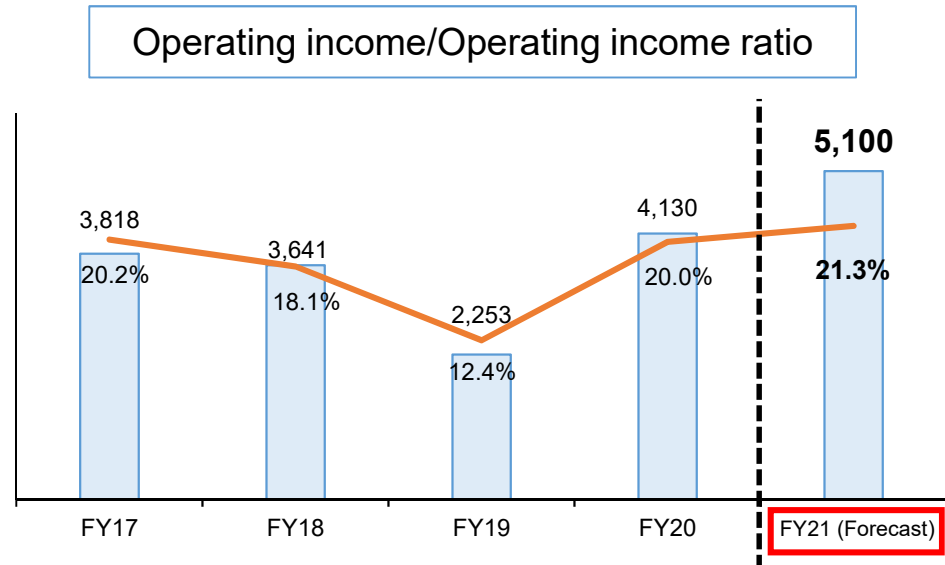
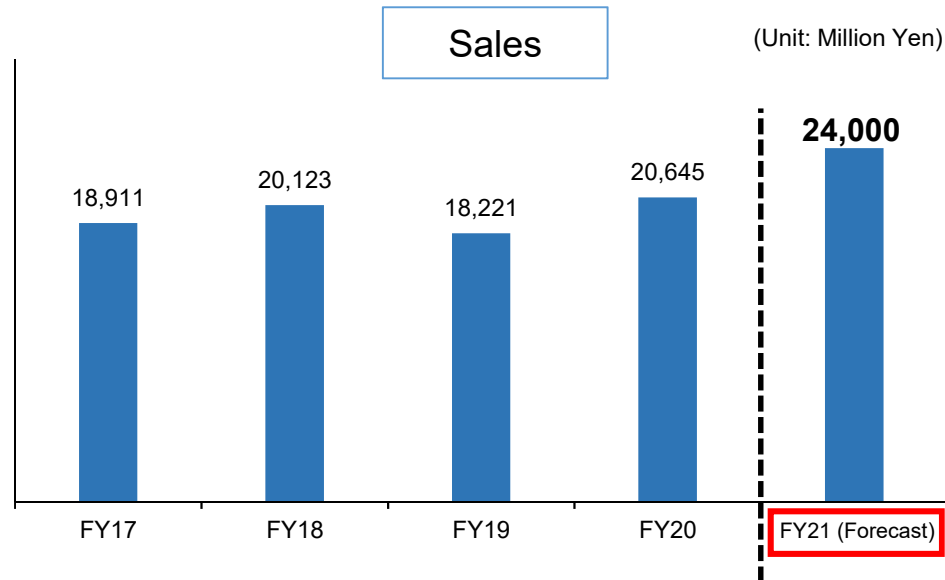
### Points

- Because it is not yet in sight when the Covid-19 pandemic will die down, the market recovery will remain unclear.
- Crude oil prices are recovering to the level before the spread of the Covid-19, and the environment for overseas plant investment is gradually being in place.
- Mechanical seals for precision machinery and equipment will remain strong.
- New challenges will be taken on toward a decarbonized society, including development of seal products for hydropower generation.
- March 2022: Construction of technological development center is to be completed.



# Projection of Sales by Segment [2]

## Electronic equipment business

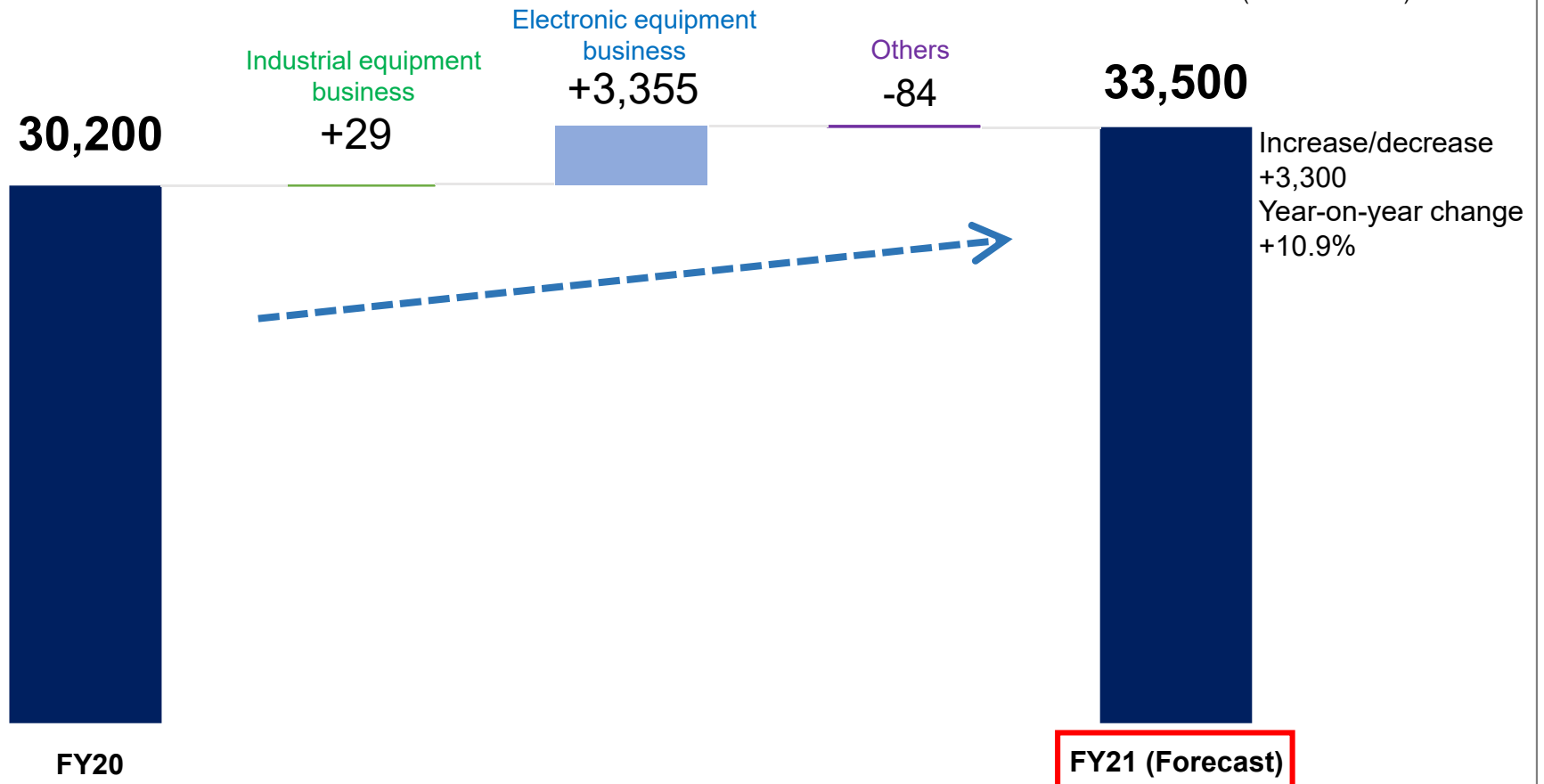


- Points
- Both sales and profits will achieve all-time high values.
  - Further expansion is expected as device manufacturers announced that they would make large-scale investments to accelerate DX, 5G, etc. and address the shortage of in-vehicle semiconductors.
  - Production increase system will be in preparation for investment in the development of advanced technologies, such as miniaturization and lamination, and expected growth in demand.

# Analysis of Increase/Decrease in FYE March 31, 2022 Sales

Industrial equipment business: Likely to remain flat, not being able to erase the impact of the Covid-19.  
 Electronic equipment business: Will continue to increase supported by brisk capital investment planned by manufacturers of various devices.

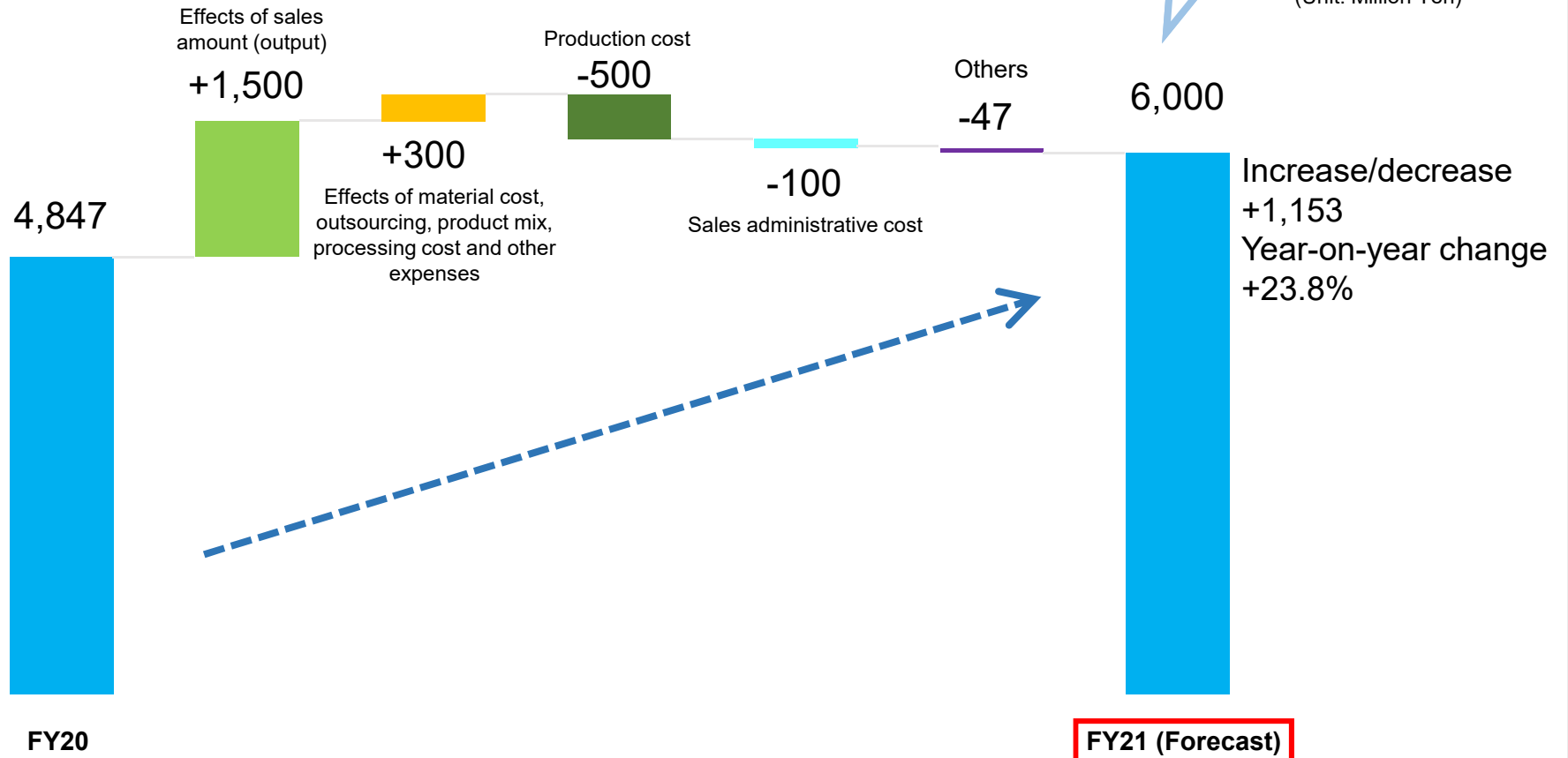
(Unit: Million Yen)



# Analysis of Increase/Decrease in FYE March 31, 2022 Operating Income

While sluggish demand continues in the Industrial equipment business, semiconductor demand will be on an upward trend.  
Driven by the Electronic equipment business, operating income will grow substantially.

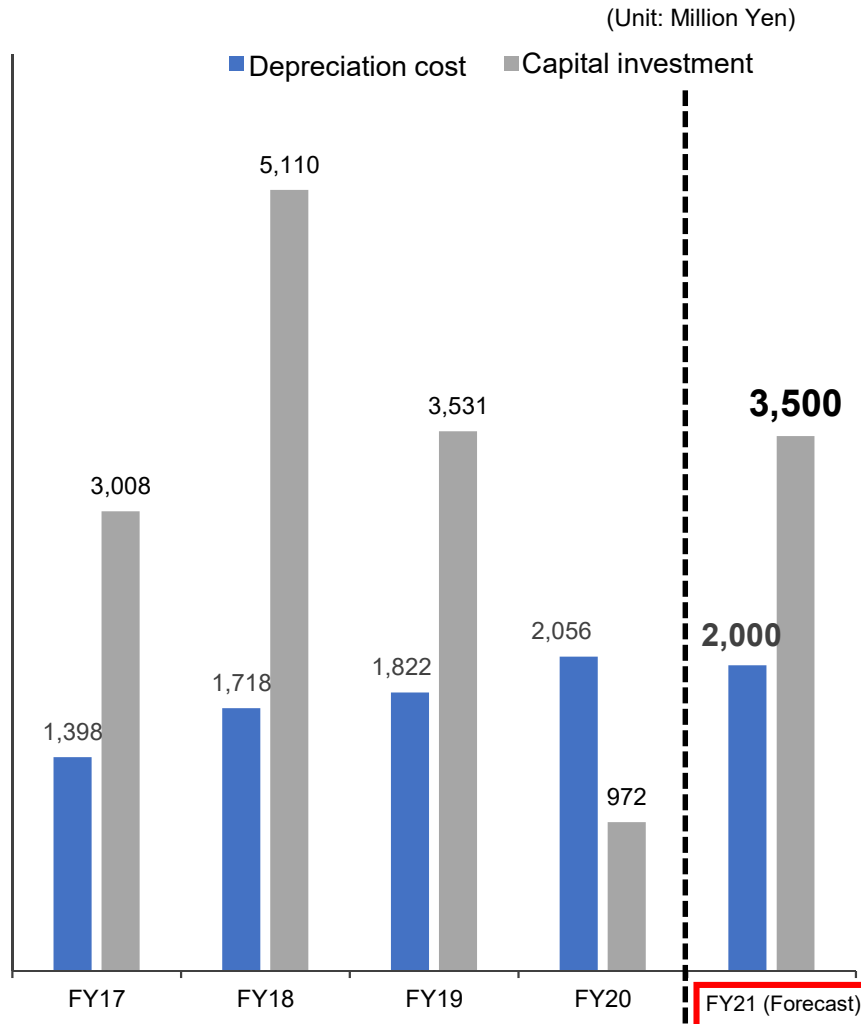
(Unit: Million Yen)



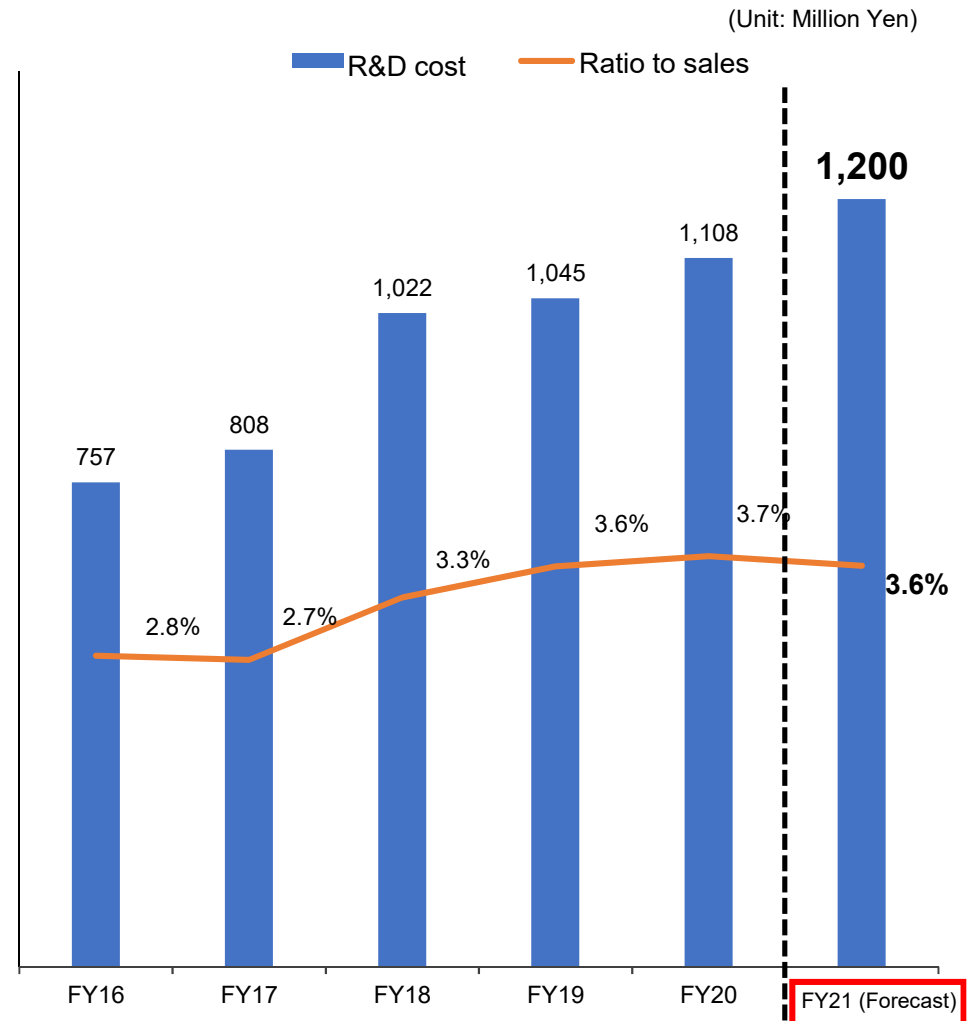


# Capital Investment and Depreciation Cost / R&D Cost

### Capital Investment and Depreciation Cost



### Research & Development Cost



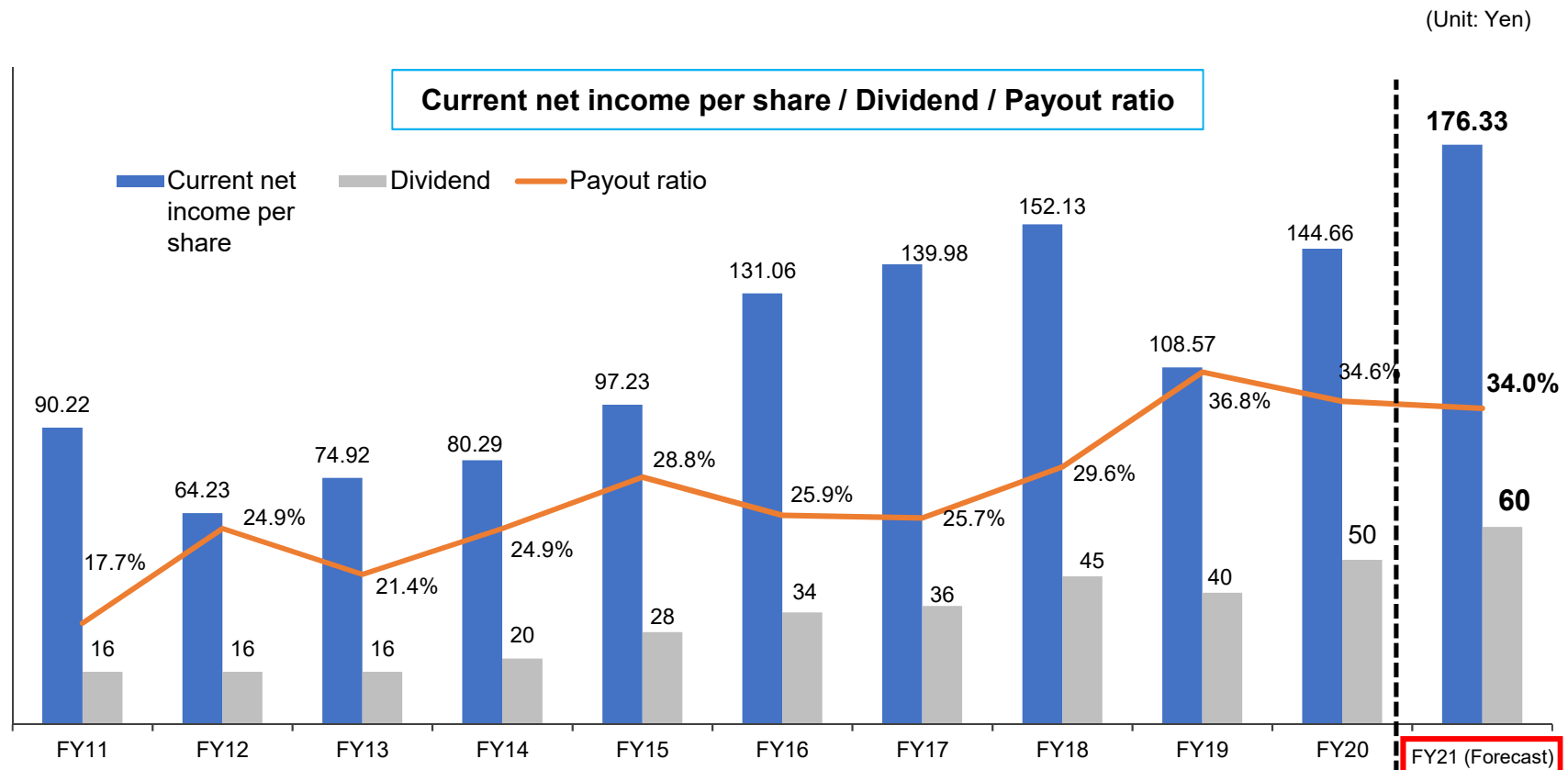
# Return to Shareholders

## [Dividend]

- Full-year dividend per share for the fiscal year ending March 2022 will be increased by ¥10.
- Shareholder return is positioned as one of our important tasks of management.
- Dividend will be paid aiming at achieving payout ratio of 30% or more.

## [Acquisition of treasury shares]

- Acquisition of treasury shares will be carried out flexibly while keeping a good balance with growth investment.





## **4. Progress of BTvision22 – Medium-term Management Plan**

# Outline of BTvision22

## Basic Policies

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

### [Upward revision of the final-year targets]

Initial plan has been revised in consideration of the progress of DX and 5G, as well as growing demand for semiconductors.

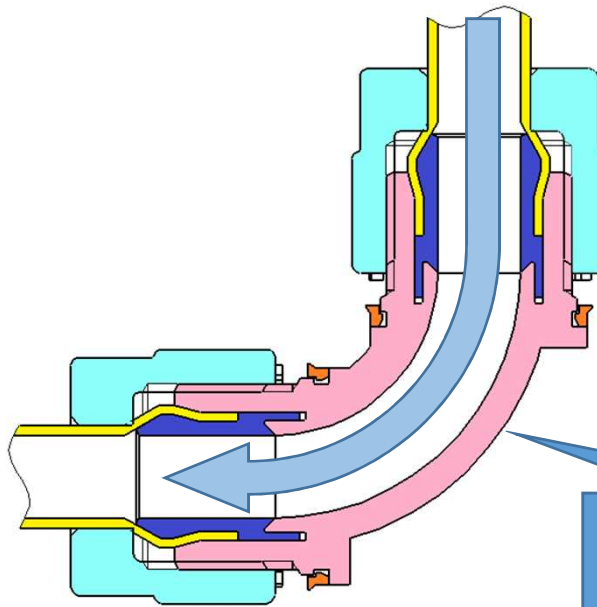
(Unit: Million Yen)

	BTvision19 FYE March 31, 2020		BTvision22 FYE March 31, 2023		Increase/Decrease			
	[1]	[2]	[3]	[3]-[1]		[3]-[2]		
	<Final fiscal year actual results>	<Initial plan>	<Revised plan>	Increase/ decrease	Change rate (%)	Increase/ decrease	Change rate (%)	
<b>Sales</b>	29,213	32,500	<b>35,000</b>	+5,787	19.8	+2,500	7.7	
<b>Operating income</b>	3,683	5,100	<b>6,500</b>	+2,817	76.5	+1,400	27.5	
Operating income ratio	12.6%	15.7%	<b>18.6%</b>	+6.0P	—	+2.9P	—	
<b>ROE</b>	6.2%	8.0% or higher	<b>8.0% or higher</b>	+1.8P	—	—	—	
<b>Dividend payout ratio</b>	36.8%	30.0% or higher	<b>30.0% or higher</b>	—	—	—	—	
<b>Amount of capital investment</b>	(Three-year cumulative) 11,649	(Three-year cumulative) 10,000	(Three-year cumulative) <b>10,000</b>	-1,649	-14.2	—	—	
<b>By segment</b>								
<b>Industrial equipment business</b>								
Sales	10,915	10,400	<b>10,000</b>	-915	-8.4	-400	-3.8	
Operating income	1,404	1,100	<b>1,000</b>	-404	-28.8	-100	-9.1	
<b>Electronic equipment business</b>								
Sales	18,221	22,100	<b>25,000</b>	+6,779	37.2	+2,900	13.1	
Operating income	2,253	4,000	<b>5,500</b>	+3,247	144.1	+1,500	37.5	

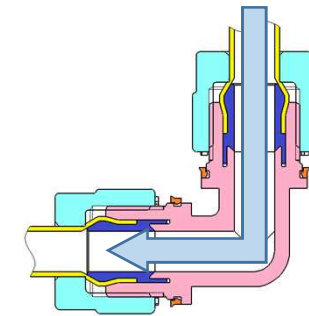
# Progress of Initiatives in BTvision22

	Achievements during FYE March 31, 2021	Future action plan
Industrial equipment business	<ul style="list-style-type: none"> <li>• Realized <i>jidoka</i> and labor-saving in production by introducing AGV and RFID.</li> <li>• Made marketing activities with a view to entering new markets.</li> <li>• Launched construction of our technological development center.</li> </ul>	<ul style="list-style-type: none"> <li>• Enter growing markets, such as automobiles and healthcare, by responding to extremely low temperatures, high temperatures, and high pressure for hydrogen.</li> <li>• Strengthen global strategies that include expanding into the Chinese market.</li> <li>• Improve productivity by utilizing DX technology.</li> <li>• Develop new products by integrating core technologies and new materials.</li> </ul>
Electronic equipment business	<ul style="list-style-type: none"> <li>• Built a production system that can respond to growing semiconductor demand.</li> <li>• Acquired new Minister's Certificate for seismic isolation sliding support bearing.</li> <li>• Developed an antenna base plate for 5G data center.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase market share by expanding sales to overseas device manufacturers.</li> <li>• Further enhance production facilities for semiconductor manufacturing devices.</li> <li>• Promote developing advanced technologies, such as miniaturization and lamination.</li> <li>• Develop new products in industry-government-academia collaboration</li> </ul>

## New product for semiconductor manufacturing devices - SWEEP ELBOW



[New product] Cross section of SWEEP ELBOW



[Conventional product] Cross section of UNION ELBOW

Realized smooth flow with R-shaped flow path design.

## &lt;Features&gt;

- R-shaped flow path design reduces pressure loss by as much as 60-70% or so.
- Contributes to productivity improvement with increased flow rate by up to 20%, reduced microbubbles, and others.
- Also contributes to energy saving with reduced piping resistance.

# TOPICS [2] Overseas subsidiary starts operation

**A new subsidiary was established in anticipation of further production increase in the Chinese market.**

## Purpose of establishment

- Responding to future expansion of the Chinese market, production base was moved from Suzhou to Chuzhou.  
Floor area is almost twice the size of the conventional factory.
- Expanding production of products for the Chinese automobile and semiconductor markets

## Factory Outline

Corporate name	Pillar Technology (Chuzhou) Co., Ltd.
Address	No. 9 Standard Workshop, Zone 6, Modern Industrial Square, Quanzhou Road, Su Chu Modern Industrial Park, Chuzou City, Anhui Province, China
Factory area	9,425 m <sup>2</sup>
Capital	RMB 25,000 thousand (¥400 million)
Main business	Manufacturing of mechanical seals, gland packings, gaskets, etc.
Year and date of establishment	May 2020
Start of operation	January 2021
Shareholder composition	Nippon Pillar Packing Co., Ltd. 100%





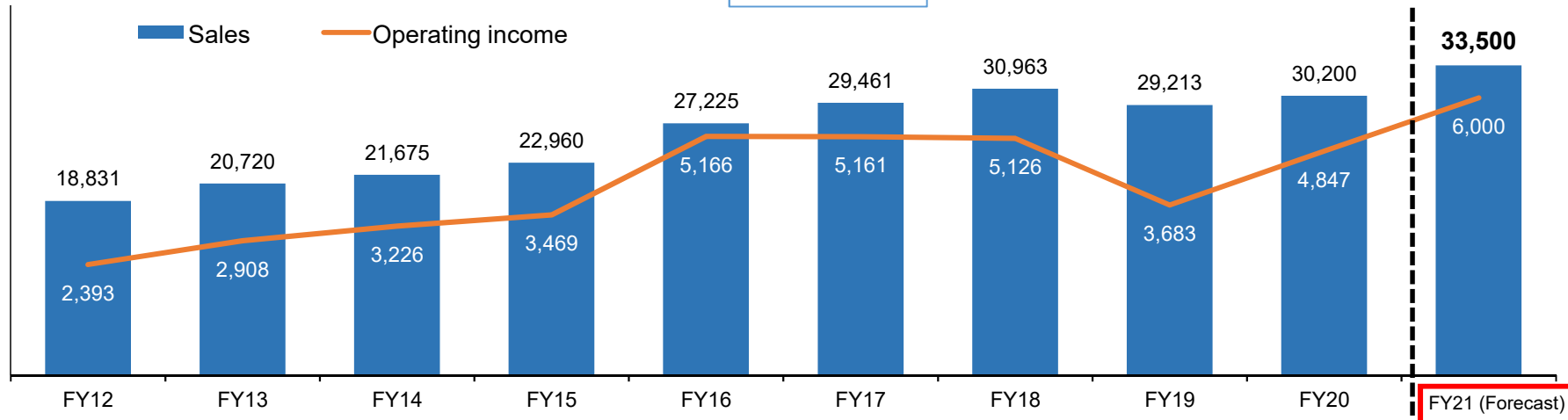
## **5. Reference Materials**



# Long-term Trends of Main Indexes

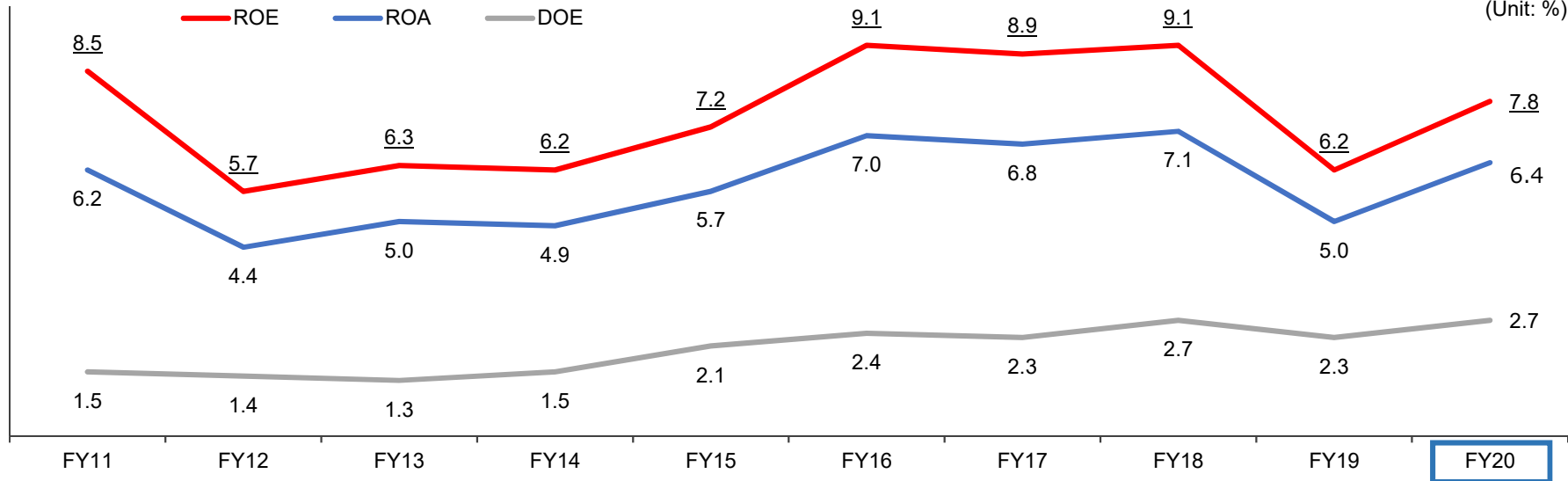
Sales

(Unit: Million Yen)



ROE / ROA / DOE

(Unit: %)

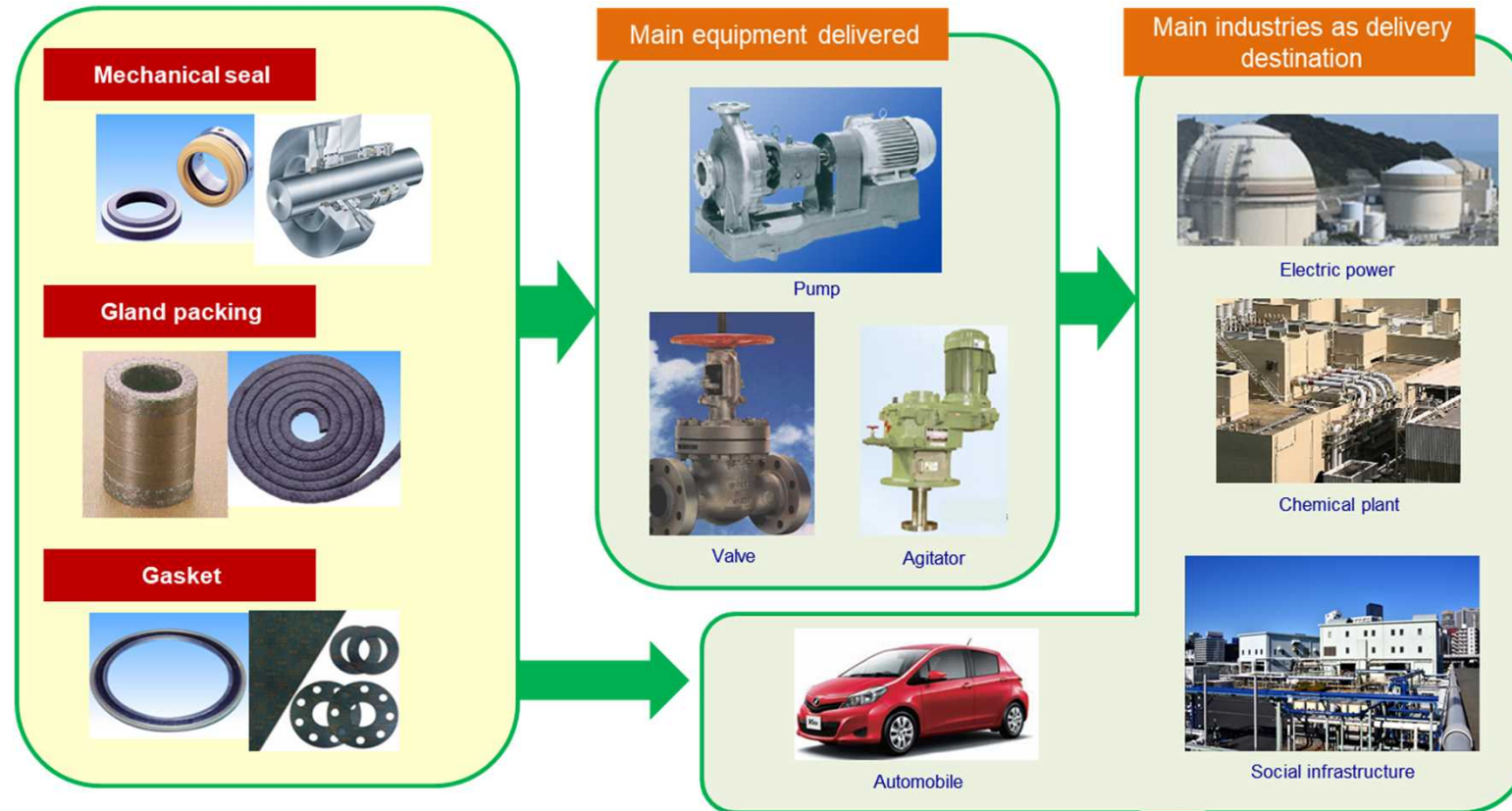


# Outlook of Business Environment of Industries in Which We Are Involved

Industry	July-September 2020	October-December	January-March 2021	April-June	Economic Forecast			
Industrial machinery and machine tools								The value of orders received in February for machine tools exceeded the ¥100 billion mark, which is said to be the monthly boom-bust dividing line, for the first time in 19 months. Monthly orders mainly for new smartphones, EVs, and hydraulic equipment for construction machinery, are likely to hover above ¥100 billion.
Electronic parts and semiconductor								Electronic parts, such as print circuit boards and capacitors will go into full-scale operation. While semiconductor foundries will increase production, it will take time for the supply shortage of in-vehicle semiconductors to be eliminated. Investment in semiconductors for data centers will remain at a high level.
Electric power								Market prices soared in January due mainly to heavy snowfall. While the prices will fall in the April-June period, the competition for customer acquisition will continue because of the liberalization. The restart of nuclear power plants will not proceed smoothly due to uncertain prospect of obtaining consensus of local residents.
Automobile								The shortage of in-vehicle semiconductors has become serious all over the world, forcing many manufacturers to reduce or adjust production. Despite remarkable recovery of new car sales in the Chinese and US markets as a result of economic stimulus measures, but the disruption of production will cast a shadow.
Plant and shipbuilding								There are signs of recovery in ship demand due to a shortage of containers, which makes freight rates remain high. Difference of ship prices among domestic shipyards may be reduced, leading to improvements in orders and profitability. Plant orders are likely to increase against the backdrop of the spread of decarbonization.
Chemical								Passing on the rise in raw material prices, synthetic resin product prices will rise one after another. Demand itself will also increase mainly for hygiene products such as masks. Ethylene, a basic chemical product, turned upward in January in terms of a year-on-year change for the first time in 11 months.
Construction								Large-scale construction works planned for the Tokyo Olympic Games will be completed. Large-scale redevelopment projects and national resilience-related public works will proceed as planned, and there will be steady orders for domestic construction projects. Meanwhile, there is a concern over a drop in overseas construction orders amid the Covid-19 pandemic.

\* Source: Industries related to our company were extracted from the “Weather map of 30 main business categories (Industrial economic forecast from April to June)” of Nihon Keizai Shimbun (issued on April 5, 2021)

# Main Products and Delivery Destinations (Industrial equipment business)



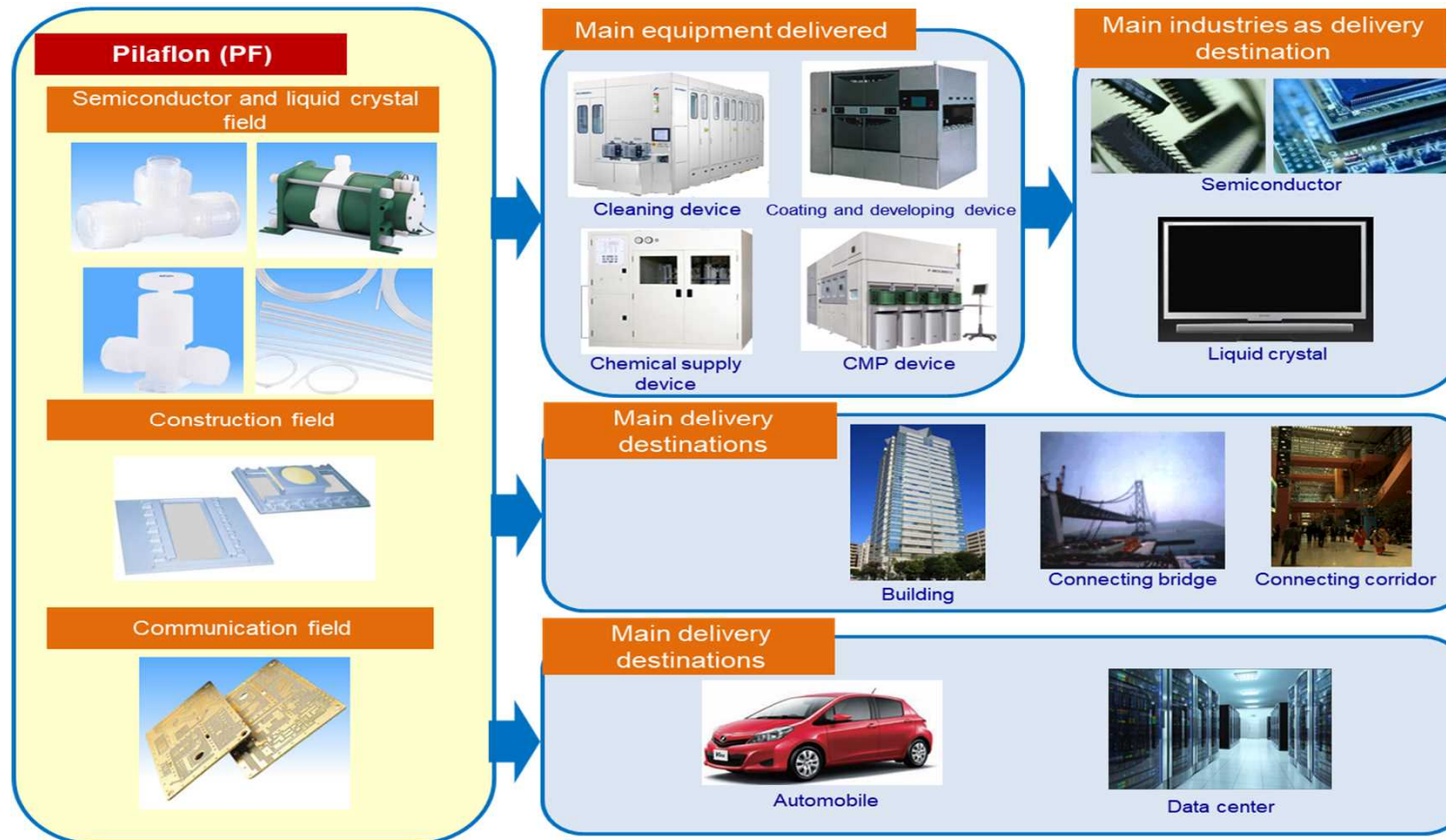
## Mechanical seals and gland packings

- These devices prevent leak of fluid in extreme conditions of high temperature and high pressure, and are used for pumps and valves in oil refining and chemical plants.

## Gaskets

- These parts prevent leak of fluid from connection between pipes, and are used for automobile exhaust system.

# Main Products and Delivery Destinations (Electronic equipment business)



Product group making use of properties of fluororesin: “chemical resistance”, “heat resistance” and “low friction”

- Pipe fittings and tubes made by fluororesin are not affected by diversified chemical liquid. Therefore, they are used for cleaning devices for silicon wafers that become the base of semiconductor.
- With their low frictional properties, these products are used for seismic isolation devices that prevent shaking of buildings caused by earthquake.

## Corporate Principles

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

## Management Philosophy

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

# Company Information

## Origin of our company name



This naming is derived from the fact that “Patented Pillar Packing No. 1” developed first as our product in 1924 was pillar-shaped.

<b>Establishment</b>	<b>1924</b>
<b>Representative</b>	<b>President Yoshinobu Iwanami</b>
<b>Stock Exchange Listing</b>	<b>First Section, Tokyo Stock Exchange (Securities code: 6490)</b>
<b>Capital</b>	<b>¥4,966 million</b>
<b>Description of business</b>	<b>Manufacture and sales of equipment products related to fluid control</b>
<b>Number of employees</b>	<b>759 (Consolidated: as of March 2021)</b>
<b>Sales</b>	<b>¥30.2 billion (Consolidated: FYE March 2021)</b>



The fluid leak prevention and control equipment manufacturer

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- This material includes descriptions about forecasts, plans and outlooks of future business performance. These descriptions do not guarantee the future business performance and contain elements of risk and uncertainty.
- Please note that the future business performance may largely differ from the contents described in this presentation material due to economic information of main markets, changes in product demand, effects of exchange rates, various regulations in Japan and overseas, and changes in accounting standards and practices.
- This material is prepared for the purpose of offering information and is not intended to induce any actions.