

# Financial Results Presentation Material

Second Quarter for Fiscal Year Ending March 31, 2023

November 10th, 2022

Securities code: 6490



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

# Highlights of Financial Results

## Results of 2Q of the Fiscal Year Ending March 31, 2023

### Sales/Orders received

- Sales: 22.6 billion yen (+17.9% year-on-year)
- Orders received: 29.9 billion yen (+34.3% year-on-year)
- Order backlog: 23.0 billion yen (+178.7% year-on-year)

### Profits

- Operating income: 6.8 billion yen (+29.2% year-on-year)
- Ordinary income: 7.2 billion yen (+35.9% year-on-year)
- Quarterly net income: 5.4 billion yen (+44.0% year-on-year)

### TOPICS

- Shortage of semiconductors is not resolved and the equipment investment by device manufacturers also continues, therefore both sales and orders received remain at a high level.
- Depreciation of the yen progresses and pushes up the business results.
- Declining income due to price raise of materials is partially absorbed by foreign exchange income.
- Sales volume is secured by responding to the shortage of raw materials by taking various measures and policies such as the reduction activity of the defect rates or the review of production plan.

## Full-year earnings forecast for the Fiscal Year Ending March 31, 2023 remains unchanged

- Although memory demand is in an inventory adjustment phase, our business performance is solid as the backlog of orders for the semiconductor market remains at a high level.
  - Uncertainty over the details and commencing time of response to the request for export restrictions to China makes it difficult to estimate the amount of impact on our business performance.
- Although our business performance is expected to remain firm, the forecast has been left unchanged in consideration of the impact of the export restrictions to China.

- 1. Business Performance for 2Q of FYE  
March 31, 2023**
- 2. Full-Year Earnings Forecast for the  
Fiscal Year Ending March 31, 2023**
- 3. Reference Materials**



# **1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023**

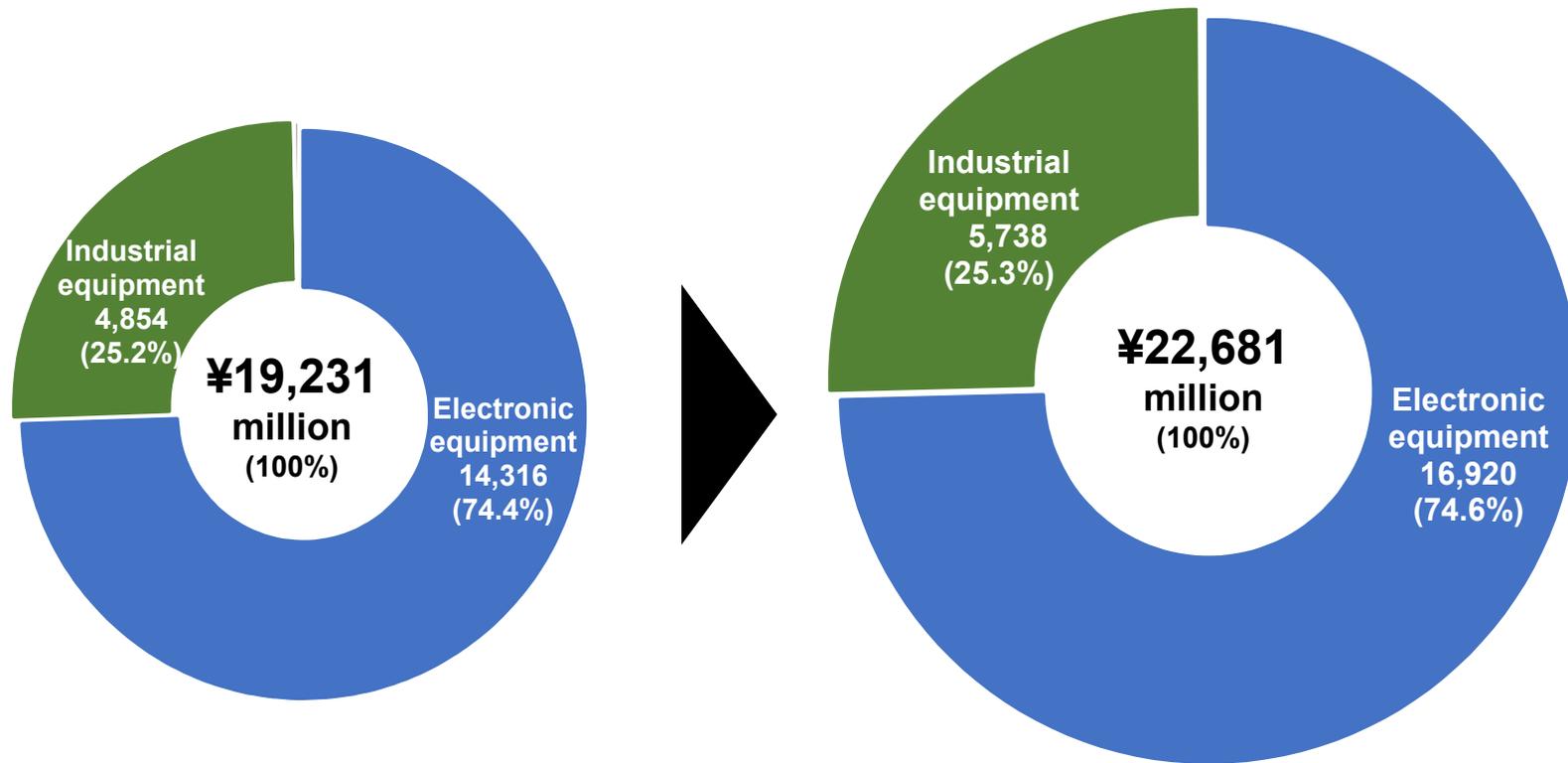


# Summary of Business Performance for the Second Quarter

(Unit: Million Yen)

	FY21 1H	FY22 1H	Change from the same period of the previous fiscal year	
	<Results>	<Results>	Increase (Decrease)	Change rate (%)
<b>Consolidated results</b>				
Sales	19,231	<b>22,681</b>	3,450	17.9
Operating income	5,271	<b>6,813</b>	1,542	29.2
Operating income ratio	27.4%	<b>30.0%</b>	2.6P	—
Ordinary income	5,366	<b>7,292</b>	1,926	35.9
Net income	3,757	<b>5,411</b>	1,654	44.0
Net earnings per share (Yen)	158.98	<b>228.83</b>	69.85	—
Dividend	45	<b>54</b>	9	—
<b>By segment</b>				
<b>Electronic equipment business</b>				
Sales	14,316	<b>16,920</b>	2,604	18.2
Operating income	4,522	<b>5,613</b>	1,091	24.1
<b>Industrial equipment business</b>				
Sales	4,854	<b>5,738</b>	884	18.2
Operating income	714	<b>1,183</b>	469	65.7

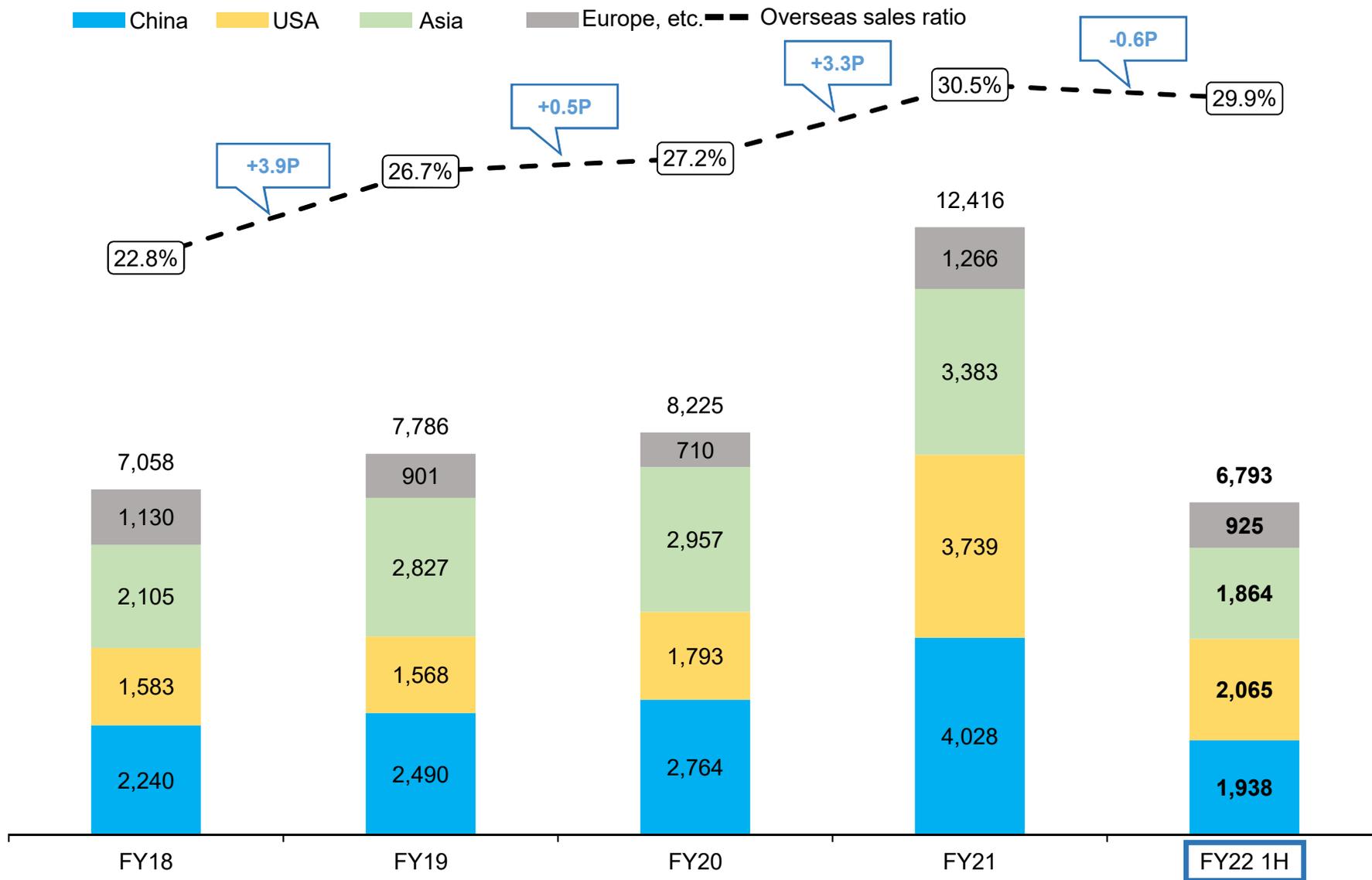
# Sales by Segment



FY21  
1H

FY22  
1H

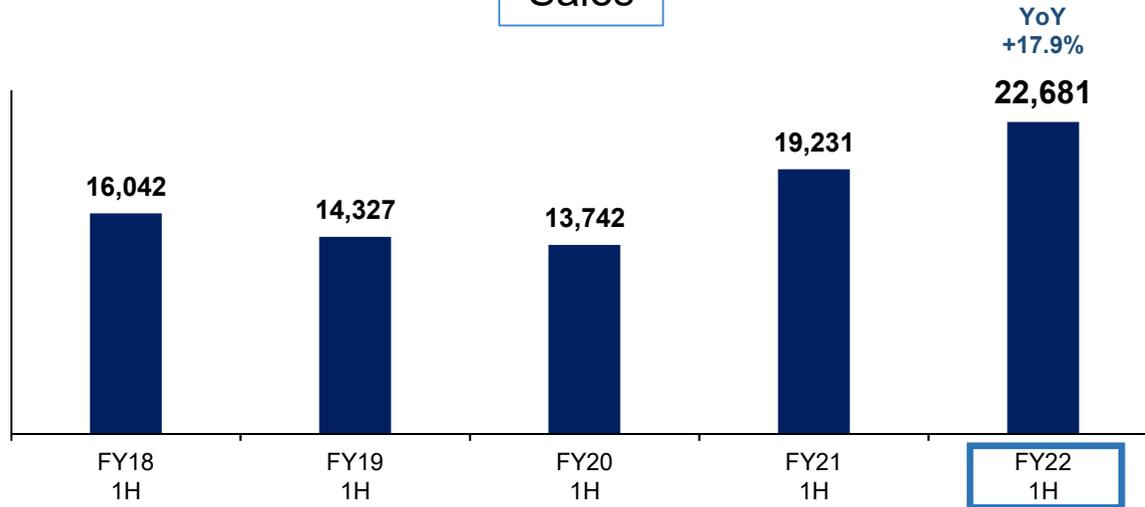
# Overseas Sales Trends



# Trends of Company-wide Earnings

## Sales

(Unit: Million Yen)

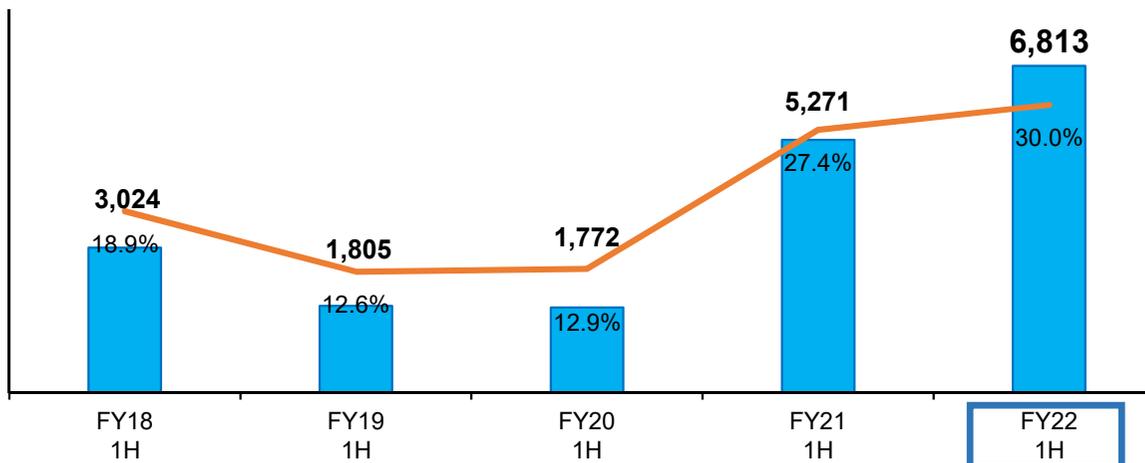


## Points

- ✓ Sales and operating income for the first half year hit record highs.
- ✓ Sales exceeded 20 billion yen in the first half year.
- ✓ Both sales and profits increased in both the electronic equipment and industrial equipment segments.
- ✓ Foreign exchange effects pushed up earnings.

## Operating income/Operating income ratio

YoY +29.2%

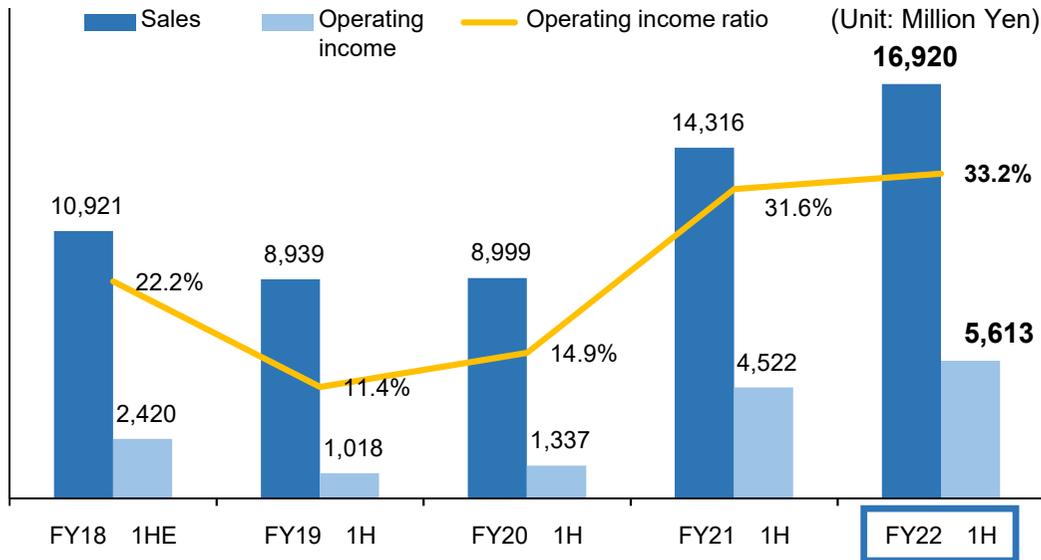




# Earnings Trends by Segment [1]

## Electronic equipment business

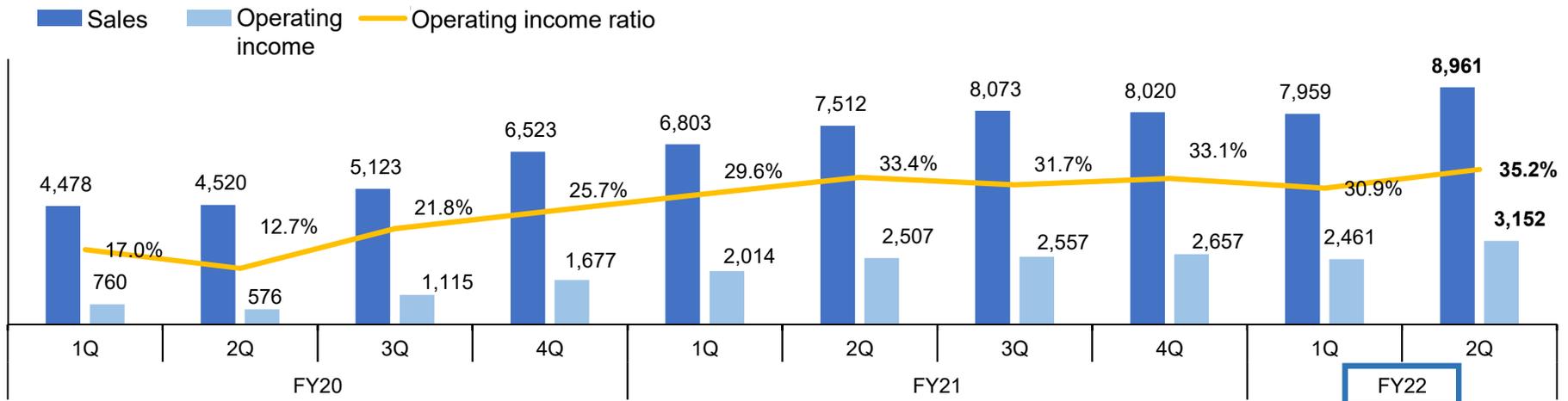
Sales/Operating income/Operating income ratio



### Points

- ✓ Segment sales hit an all-time high.
  - Sales: +18.2 year-on-year
  - Operating income: +24.1 year-on-year
- ✓ Raw material price hikes and fluorescein shortages continued.
- ✓ Sales is expanded and the hold-down of cost price is realized by maintaining the production volume by various measures and policies.

Quarterly trends

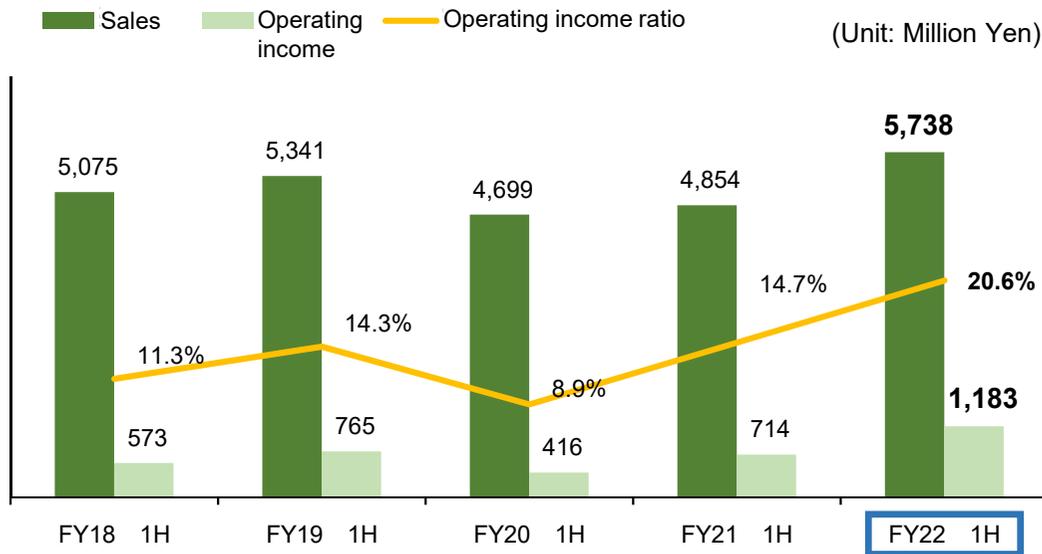




# Earnings Trends by Segment [2]

## Industrial equipment business

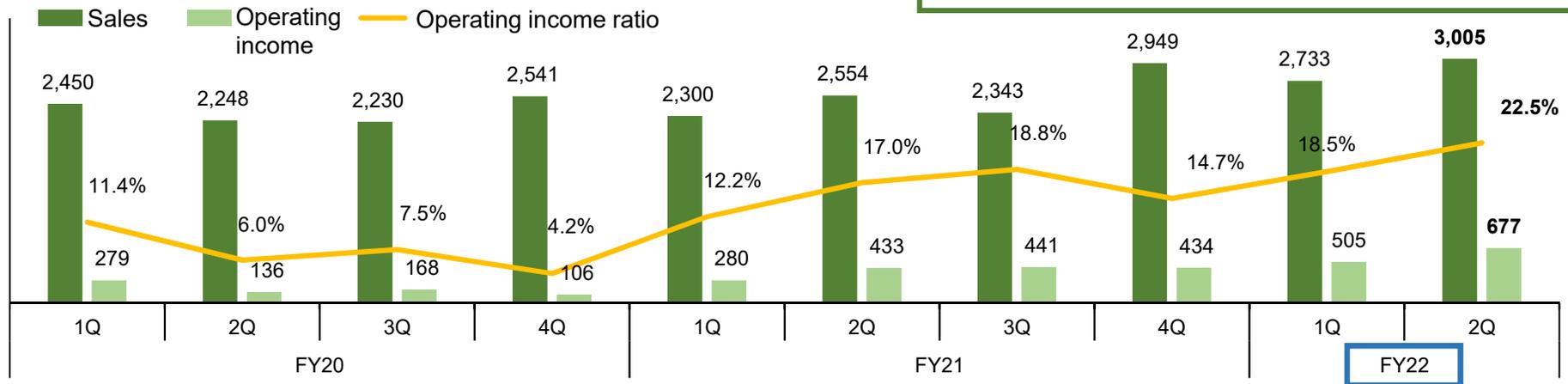
Sales/Operating income/Operating income ratio



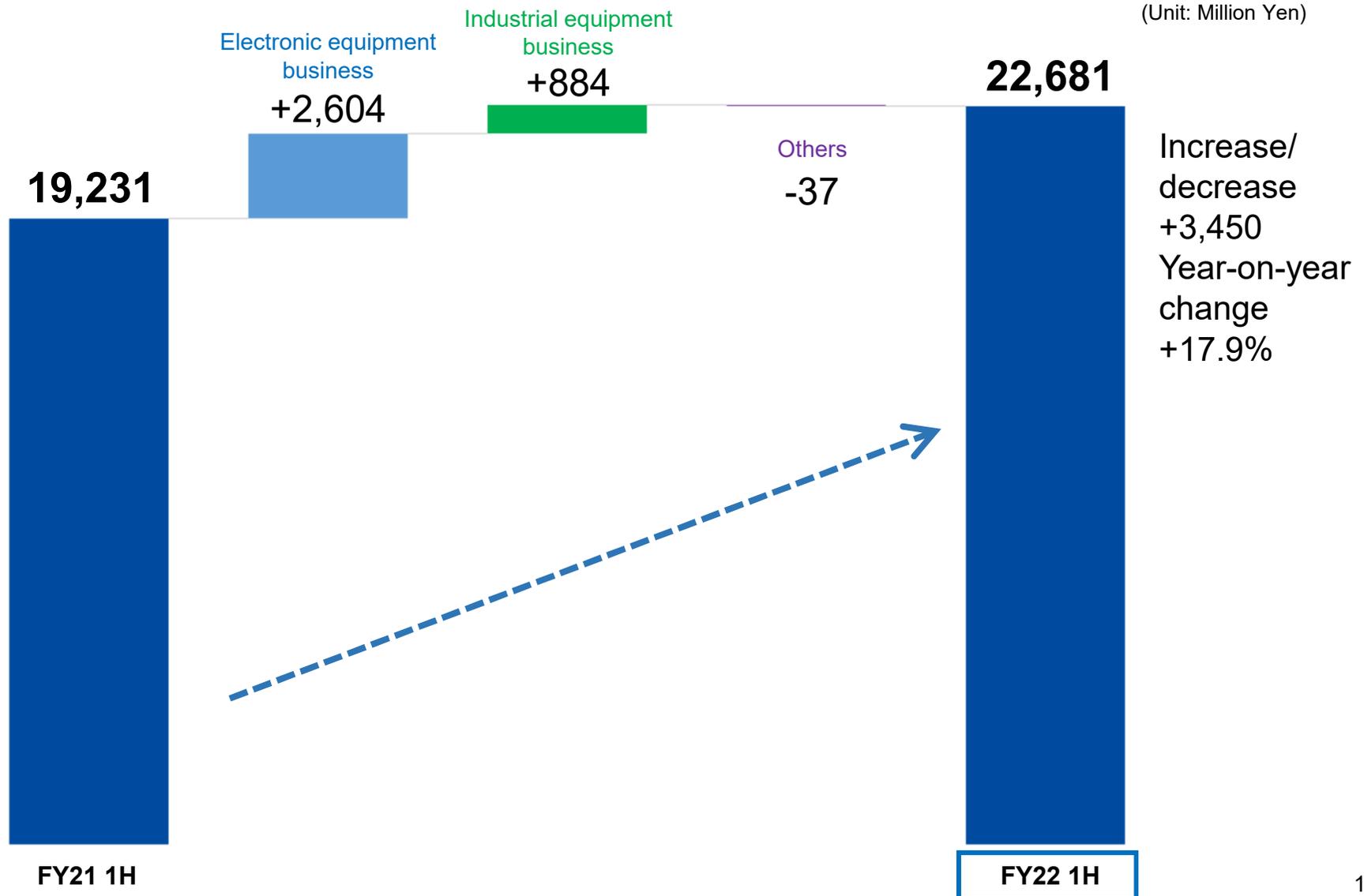
Points

- ✓ Both sales and profits increased compared to the same period of the previous year.
  - Sales: +18.2 year-on-year
  - Operating income: +65.7 year-on-year
- ✓ Sales of mechanical seal products for precision machinery and equipment posted growth.
- ✓ Highly profitable mechanical seals for precision machinery and equipment boosted profits, improving operating income ratio to the 20% level.

Quarterly trends



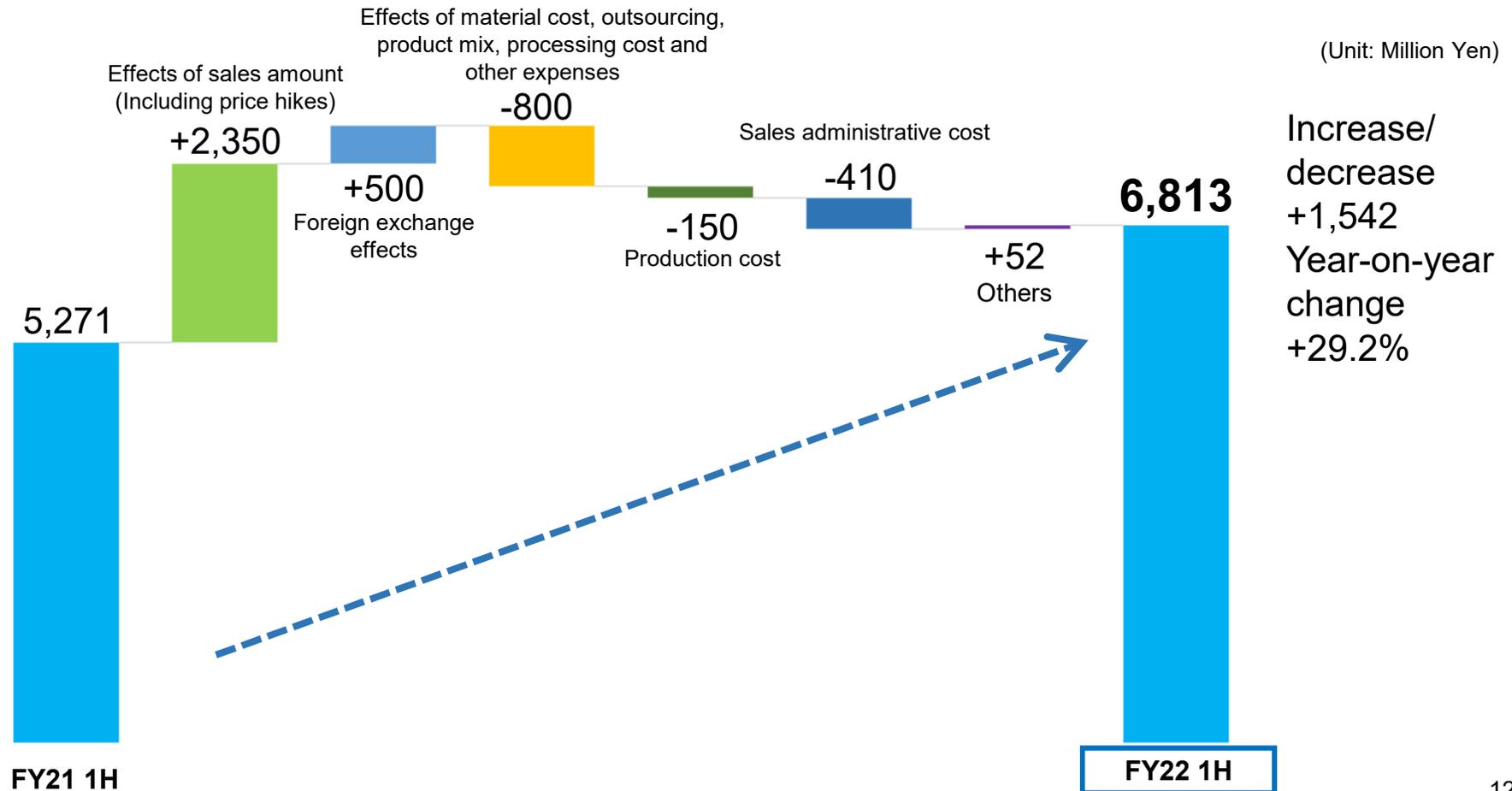
# Analysis of Increase/Decrease in 2Q Sales





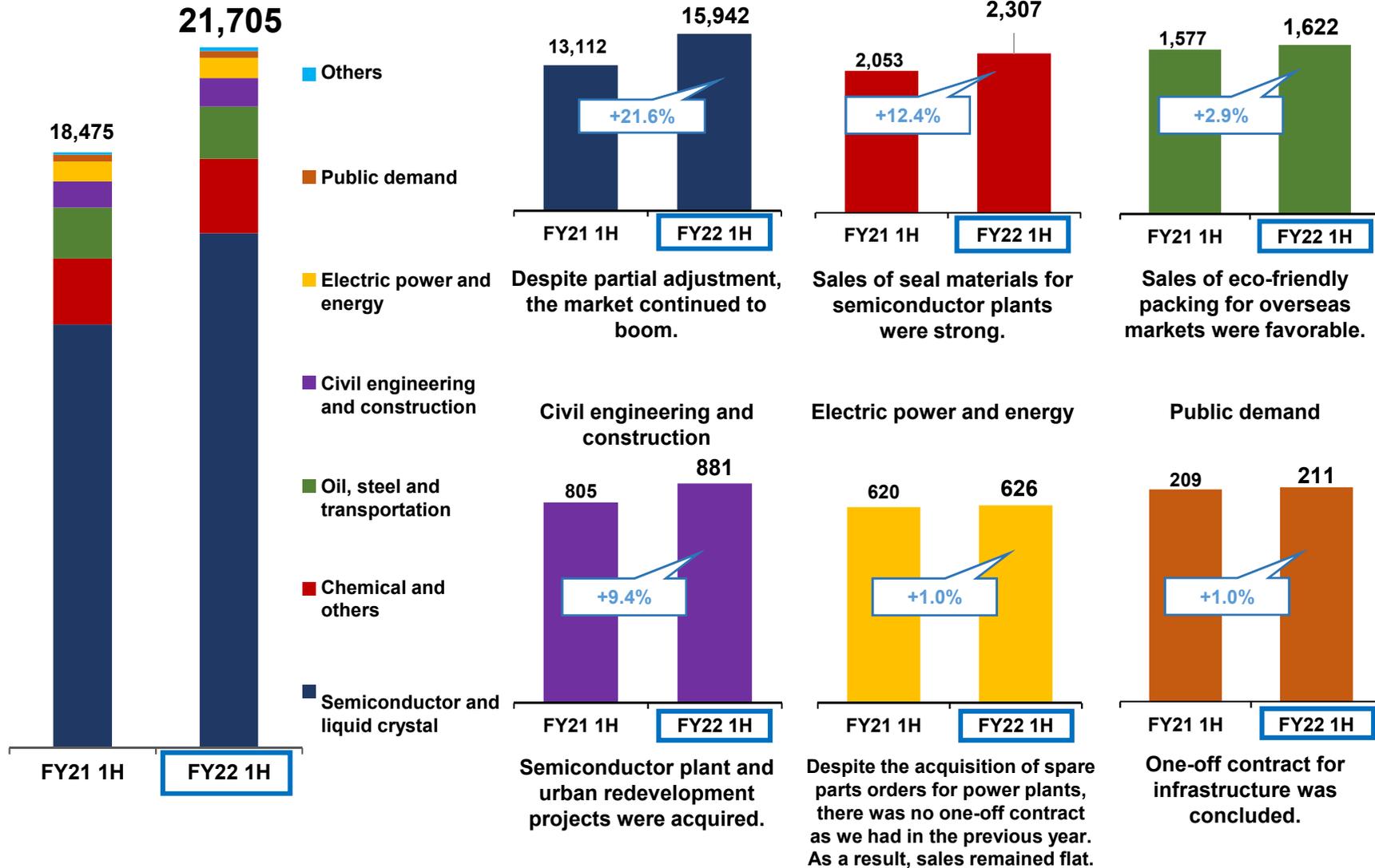
# Analysis of Increase/Decrease in 2Q Operating Income

- The increase in sales, including price hikes, absorbed the negative impact caused by surging raw material prices.
- Foreign exchange effects associated with further depreciation of the yen boosted profits.
- Operational reform and consulting expenses, as well as tax burden, increased.



# Sales by Market (Non-consolidated)

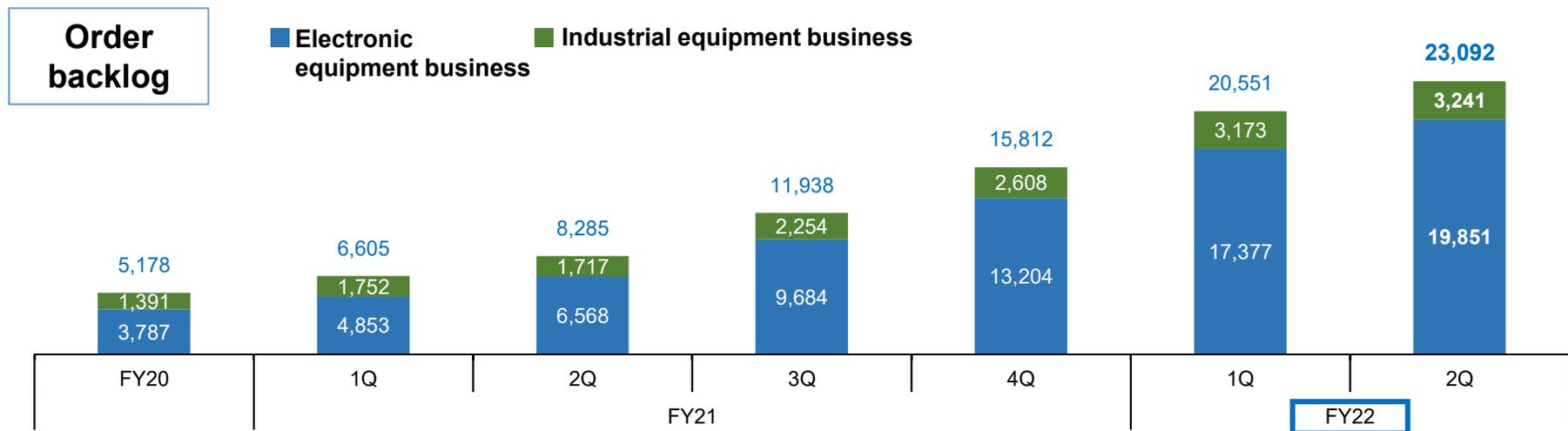
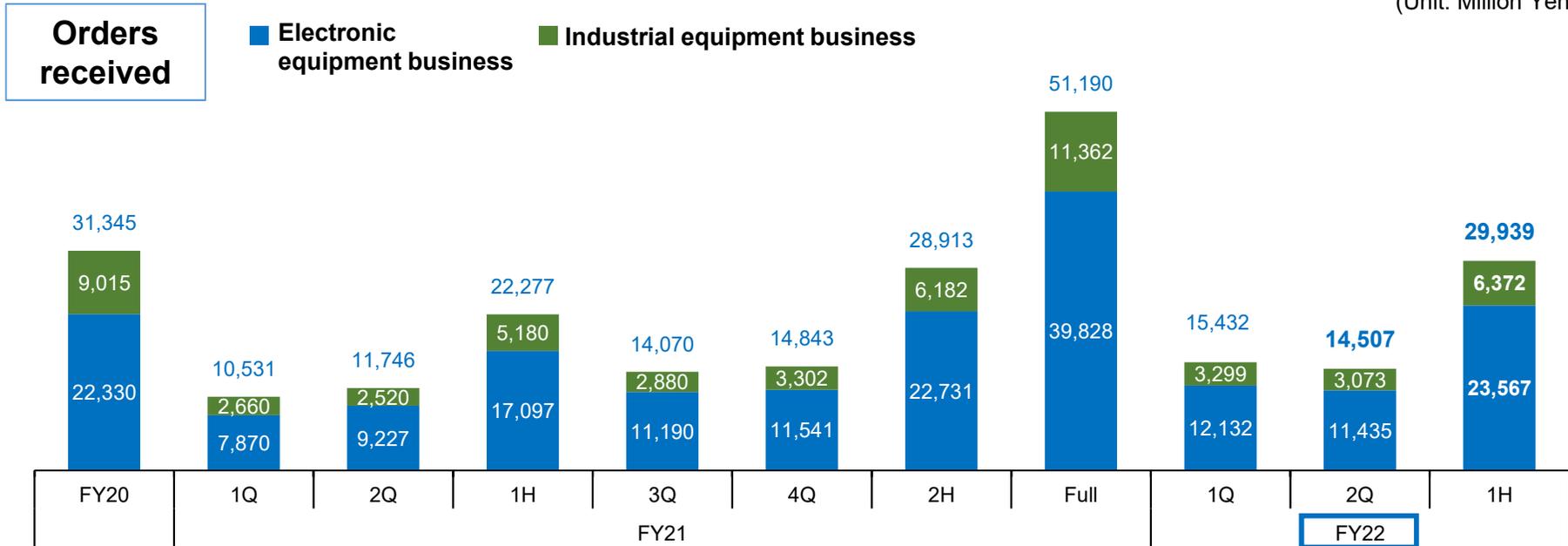
(Unit: Million Yen)





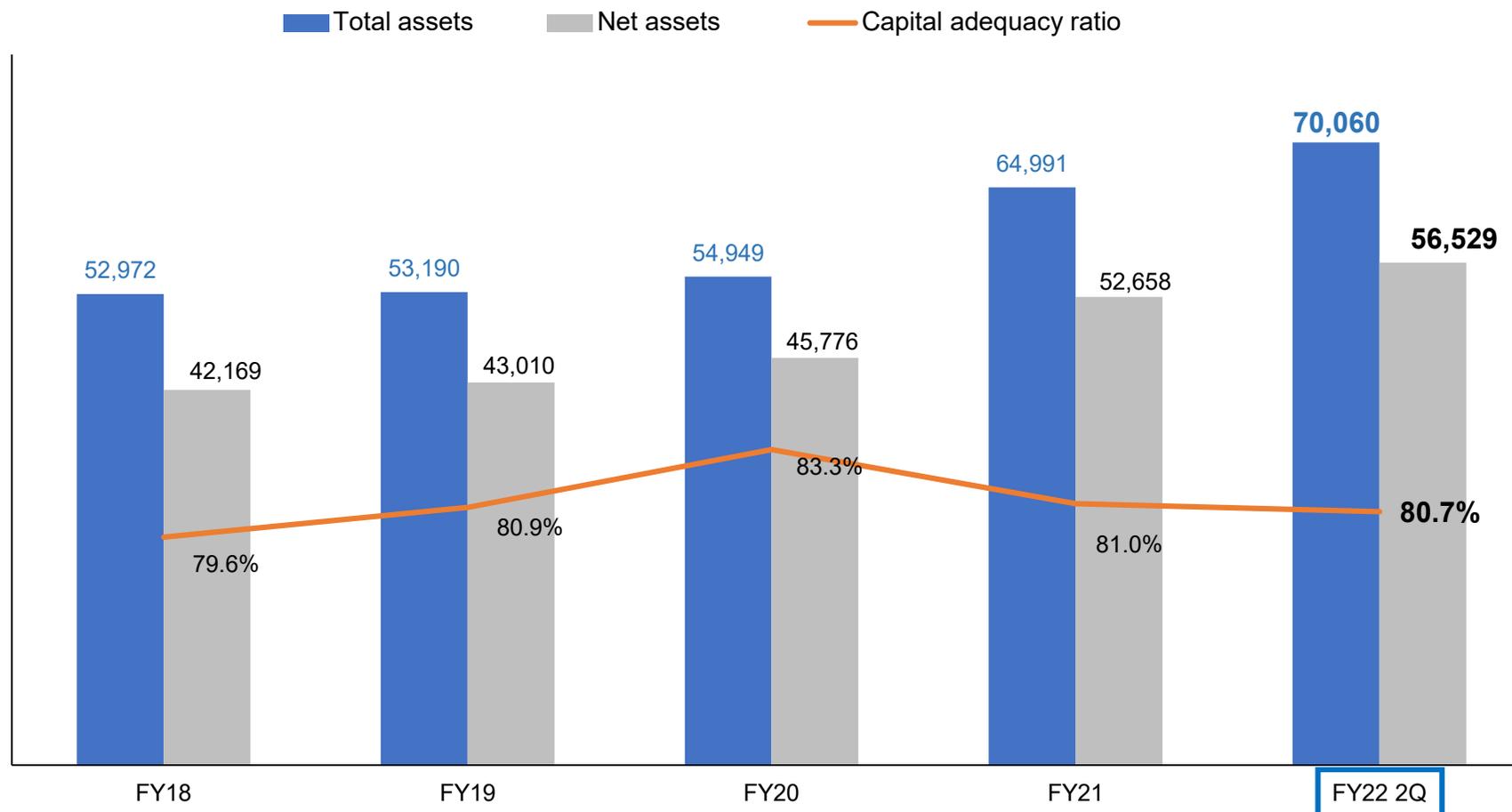
# Changes in Orders Received and Order Backlog

(Unit: Million Yen)



# Financial Status

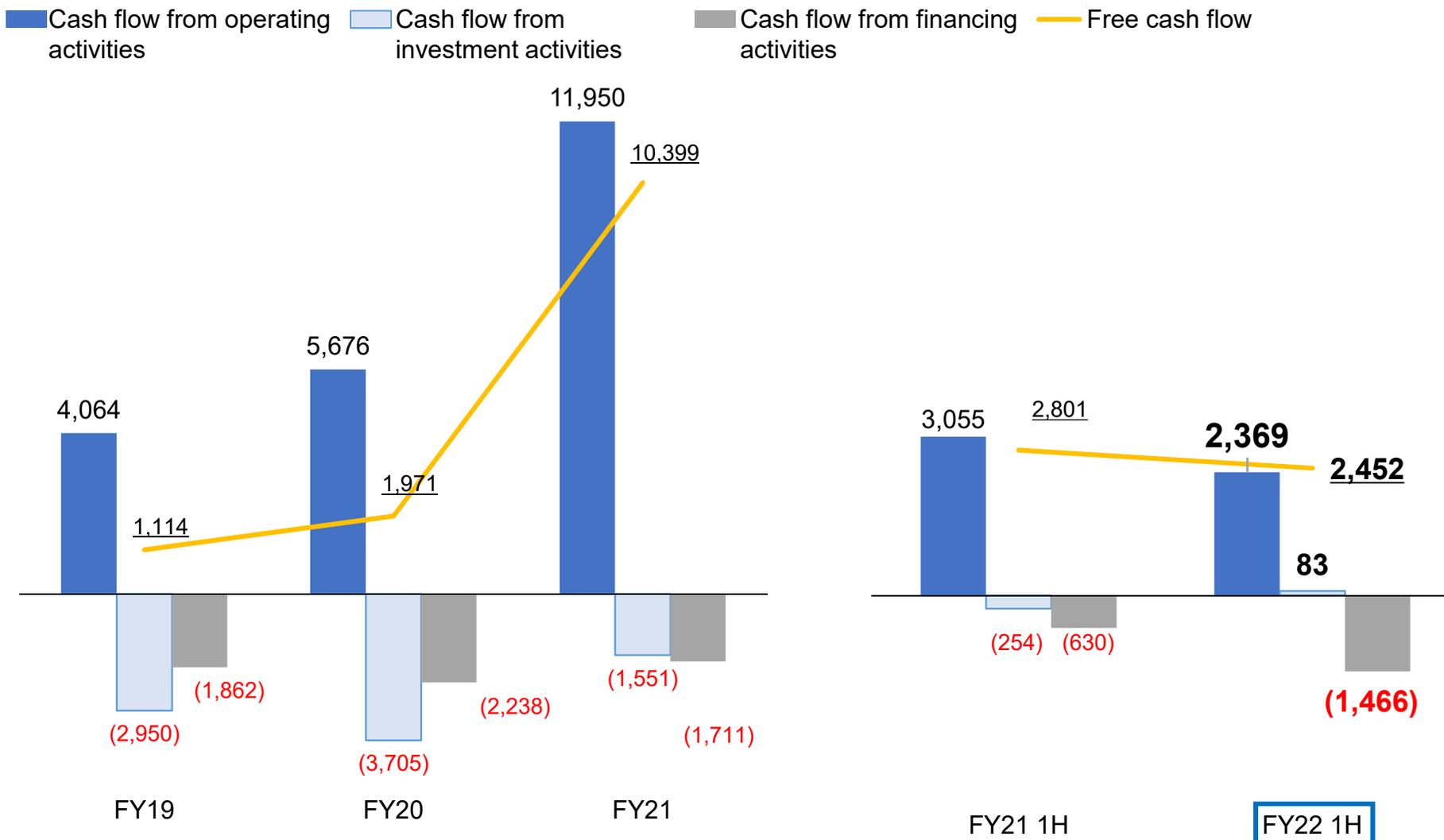
(Unit: Million Yen)



\* 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

(Unit: Million Yen)





## **2. Full-Year Earnings Forecast for the Fiscal Year Ending March 31, 2023**



# Summarized Full-Year Business Performance Forecast for the Fiscal Year Ending March 31, 2023

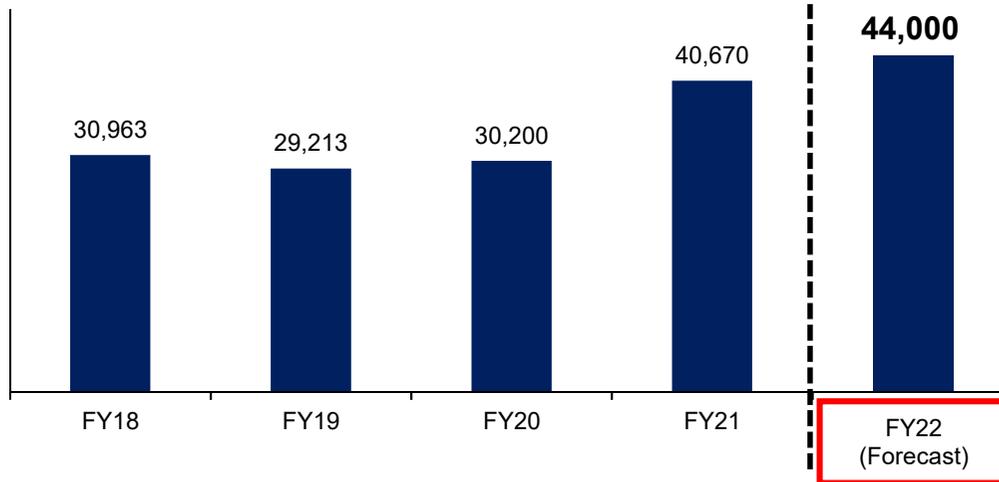
(Unit: Million Yen)

	FY21	FY22	Year-on-year change	
	<Results>	<Forecast>	Increase (Decrease)	Change rate (%)
<b>Consolidated results</b>				
Sales	40,670	<b>44,000</b>	3,330	8.2
Operating income	11,392	<b>11,800</b>	408	3.6
Operating income ratio	28.0%	<b>26.8%</b>	-1.2P	—
Ordinary income	11,821	<b>11,800</b>	-21	-0.2
Net income	8,285	<b>8,300</b>	15	0.2
Net earnings per share (Yen)	350.47	<b>351.09</b>	0.62	—
Dividend (Yen)	106	<b>108</b>	2	—
<b>By segment</b>				
<b>Electronic equipment business</b>				
Sales	30,410	<b>33,200</b>	2,790	9.2
Operating income	9,737	<b>10,000</b>	263	2.7
<b>Industrial equipment business</b>				
Sales	10,146	<b>10,800</b>	654	6.4
Operating income	1,589	<b>1,800</b>	211	13.3

# Trends of Company-wide Earnings

Sales

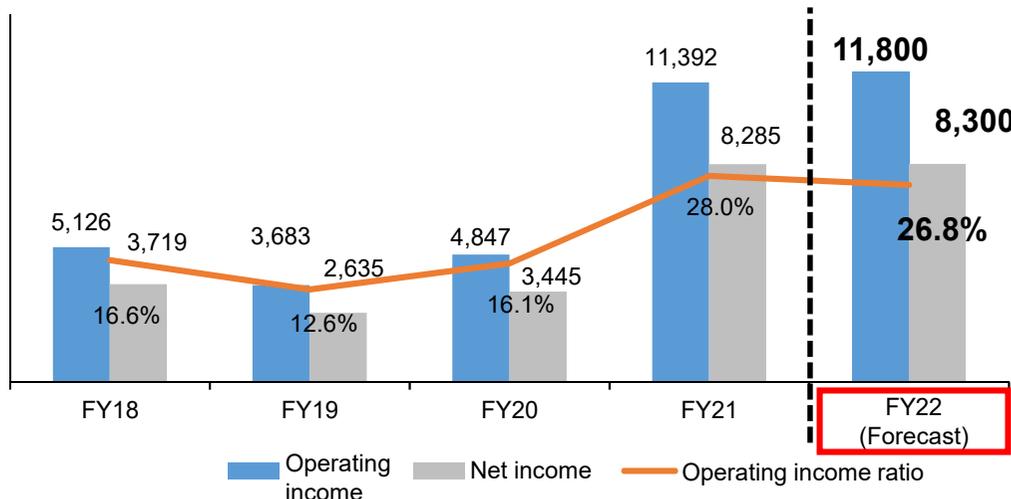
(Unit: Million Yen)



## Points

- ✓ Record-high sales and profits were achieved consecutively.
- ✓ Despite sales growth, operating income ratio declined due mainly to raw material price hikes.
- ✓ Being unable to foresee the impact of the U.S. request for restrictions to China, earnings forecast has been left unchanged.

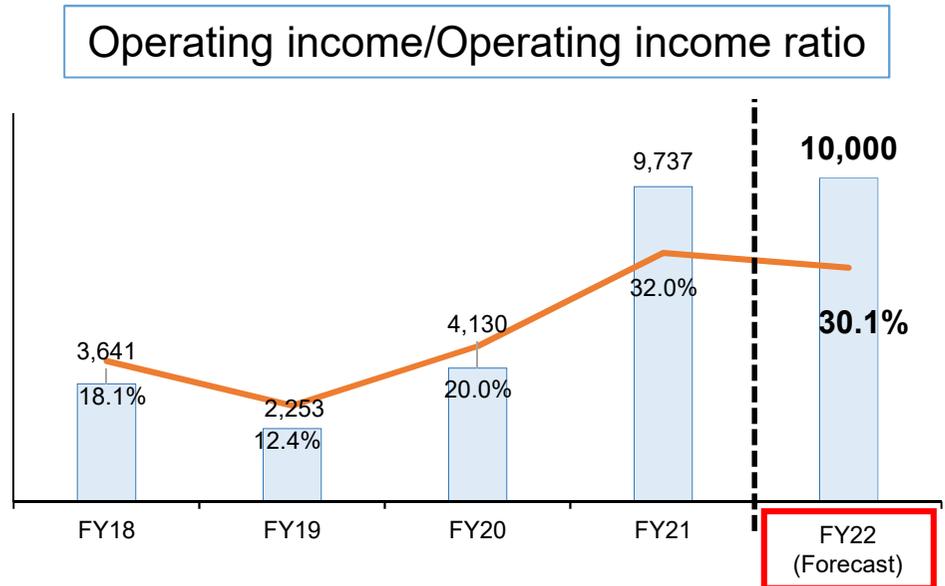
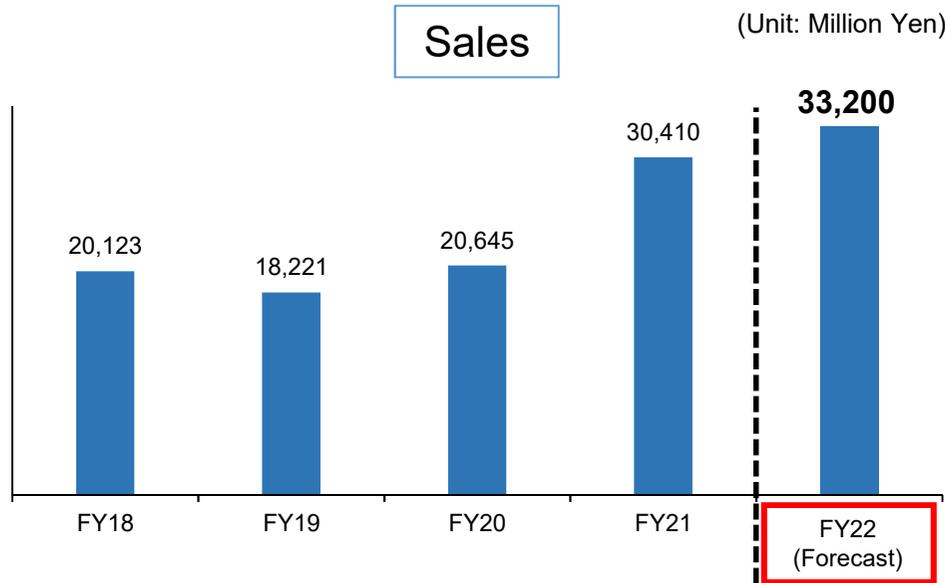
Operating income•Net income/Operating income ratio





# Earnings Trends by Segment [1]

## Electronic equipment business



- Points**
- ✓ New record-highs are expected for the third consecutive year.
  - ✓ Price pass-through is expected to start producing an effect in the second half year, pushing up sales and operating income.
  - ✓ Despite sales growth, operating income ratio is expected to decrease from the previous fiscal year due to the raw material price hikes, which will put downward pressure on profits.
  - ✓ Shortage of fluoro resin is not resolved and the efficient production plan or the reduction activity of the defect rates is progressed.
  - ✓ Details of the response to the export restrictions to China will continue to be closely monitored.

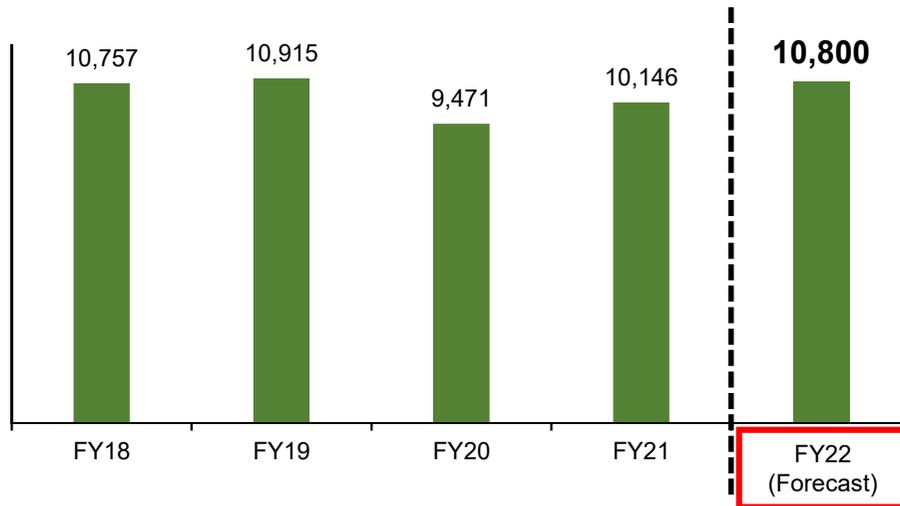


# Earnings Trends by Segment [2]

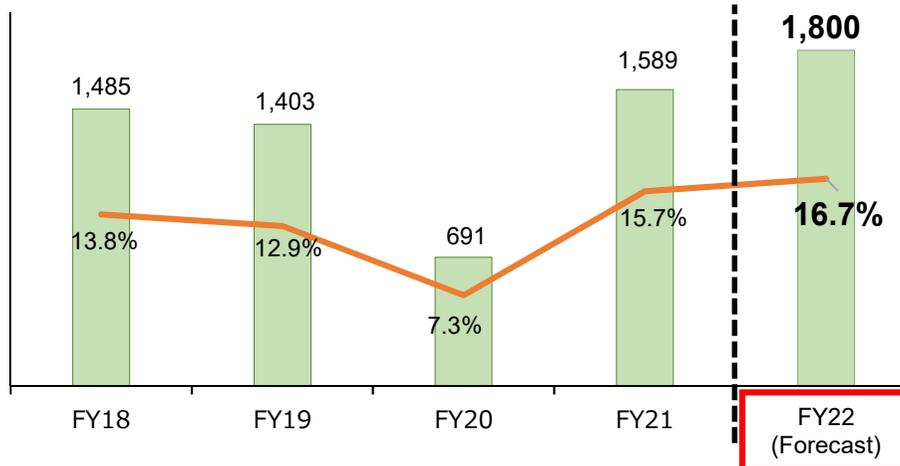
## Industrial equipment business

### Sales

(Unit: Million Yen)



### Operating income/Operating income ratio



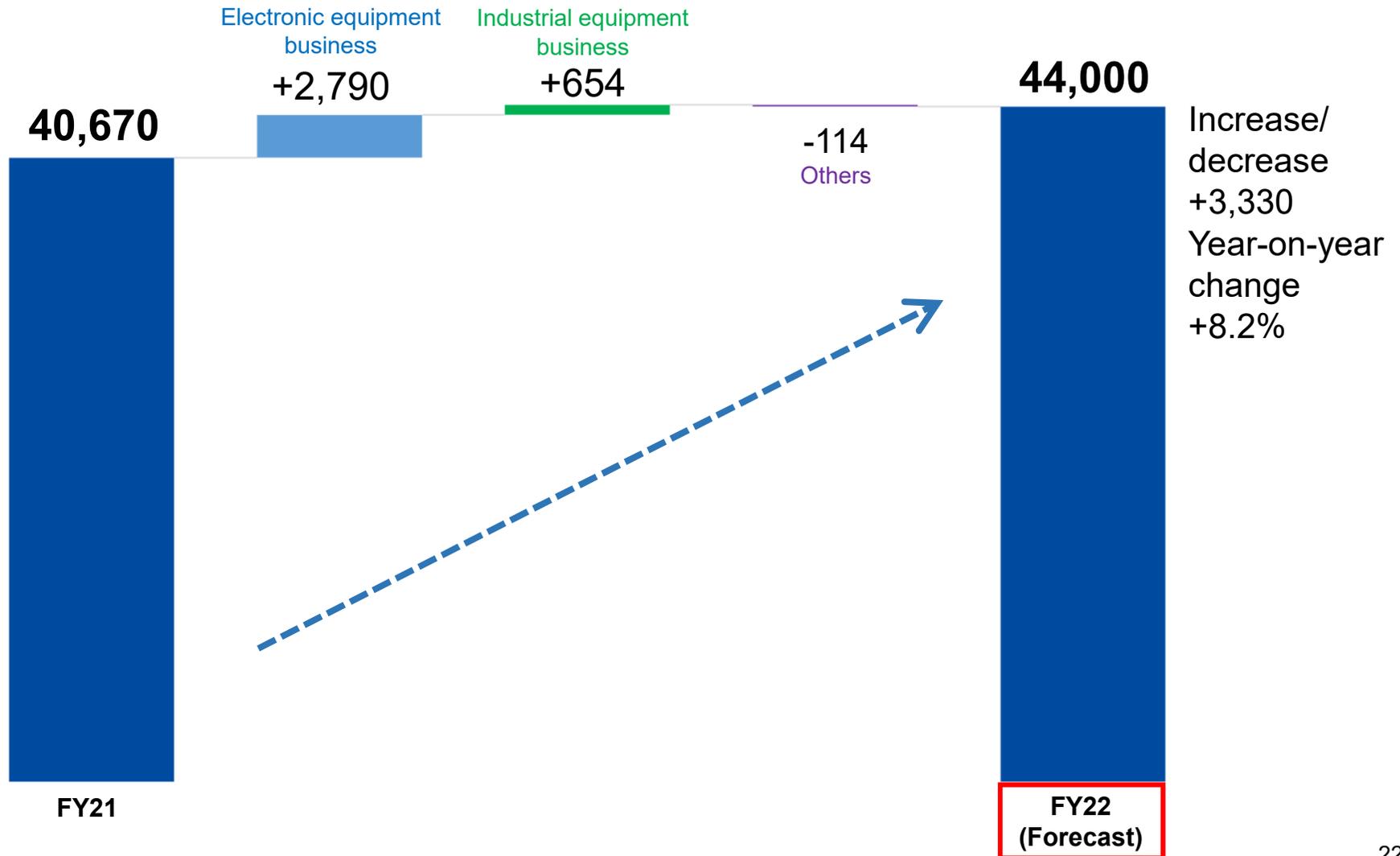
### Points

- ✓ Demand for mechanical seals for precision machinery and equipment remained steady, driving growth of sales and operating income.
- ✓ Eco-friendly packing for overseas markets enjoyed favorable sales.
- ✓ We captured demand for power plant maintenance. We will focus on obtaining orders for spare parts for nuclear power plants with a view to resumption of their operations.
- ✓ Although products for agitators used in the semiconductor market performed well, the outlook for other markets was uncertain due to the shortage of components and other factors.



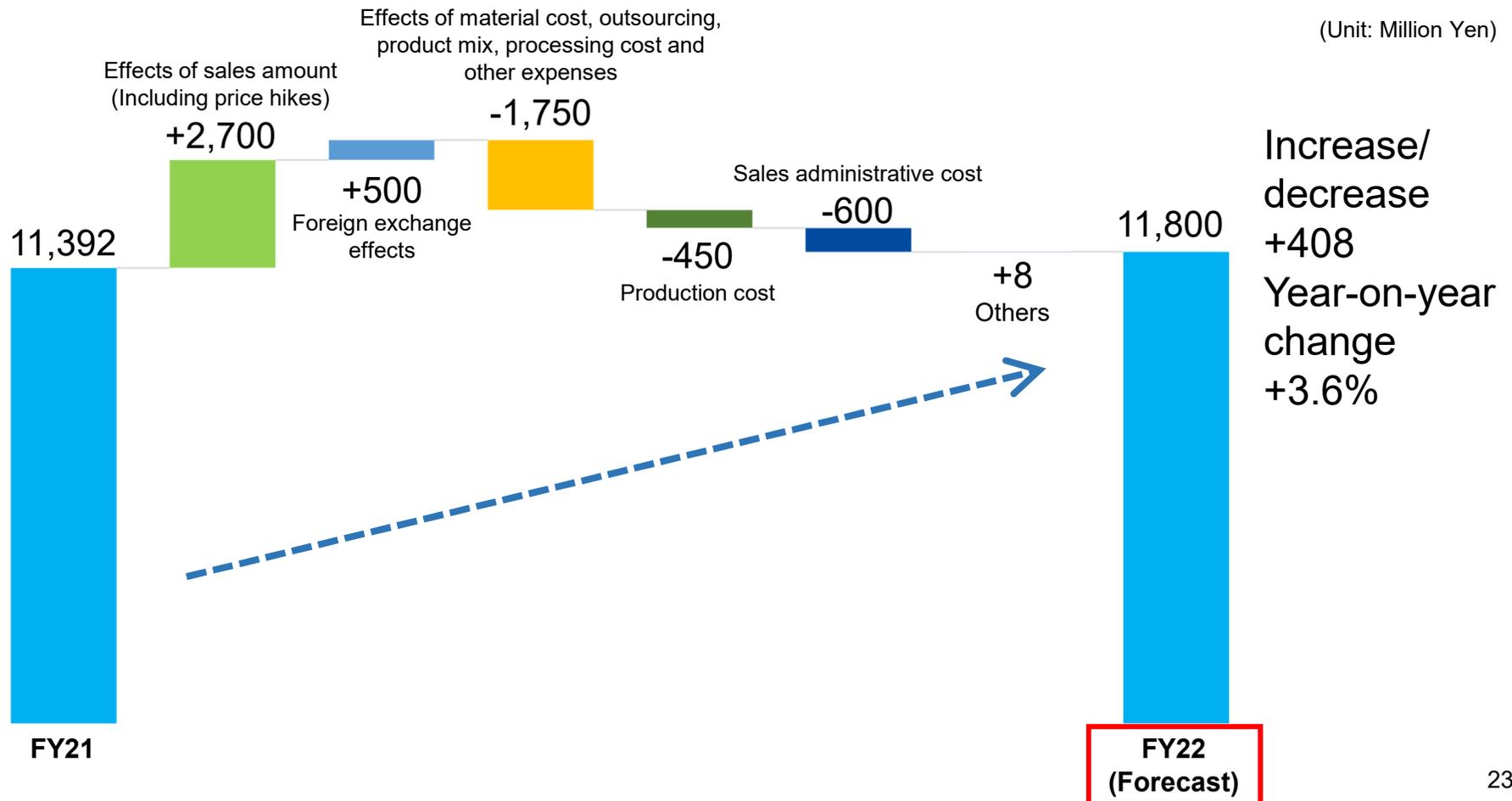
# Analysis of Increase/Decrease in Full-Year Sales

(Unit: Million Yen)



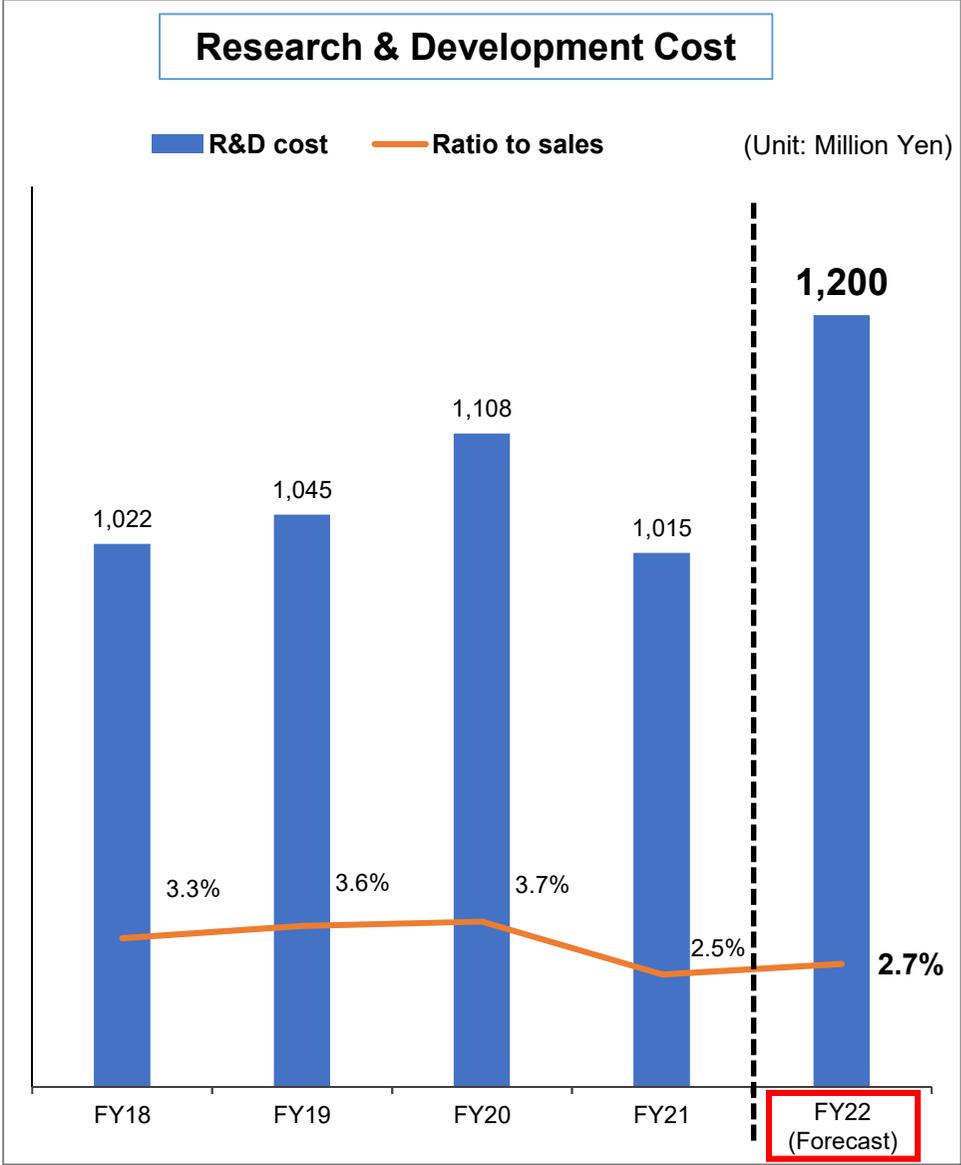
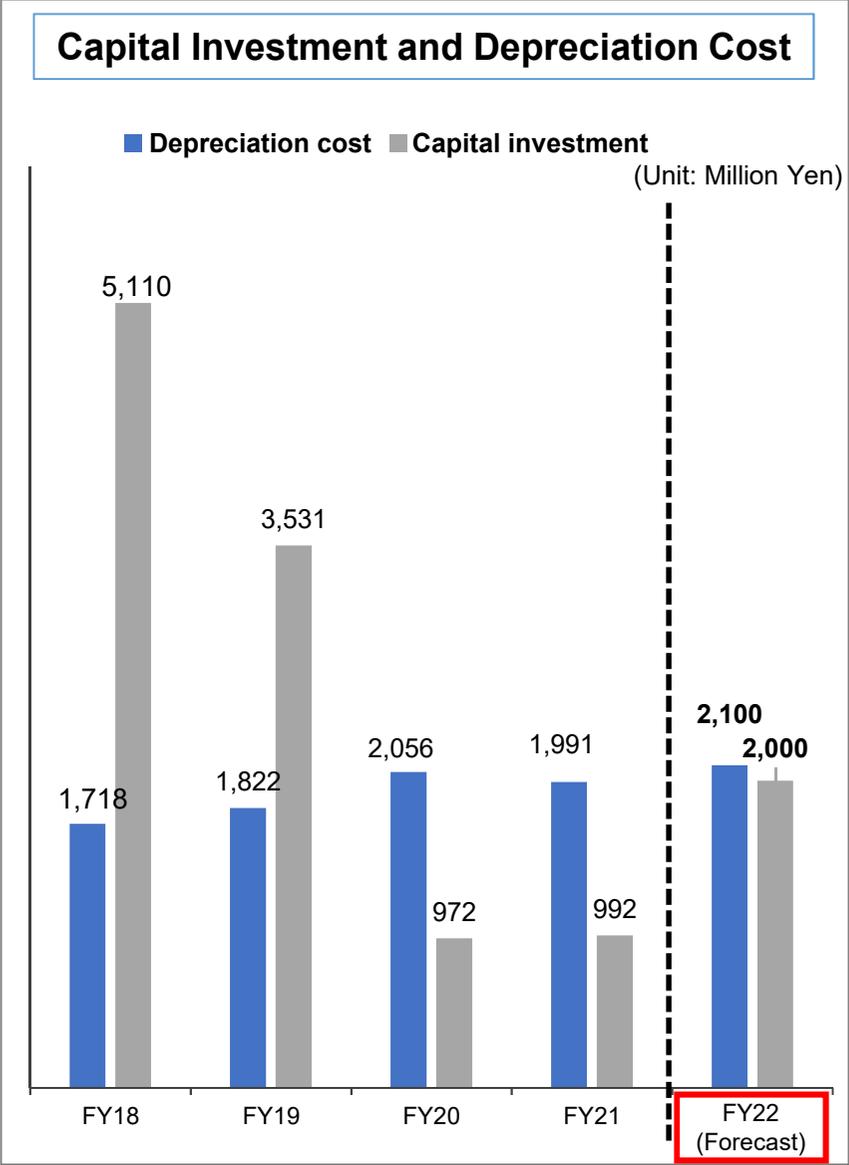
# Analysis of Increase/Decrease in Full-Year Operating Income

- The raw material price hikes will exert the largest-ever impact.
- Cost increases are partially absorbed by the cost reduction activity or the reduction activity of the defect rates and the product price hikes.
- In addition to labor cost, costs associated with deregulation of movement restrictions will increase.





# Capital Investment and Depreciation Cost / R&D Cost



# Return to Shareholders

## [Dividend Forecast]

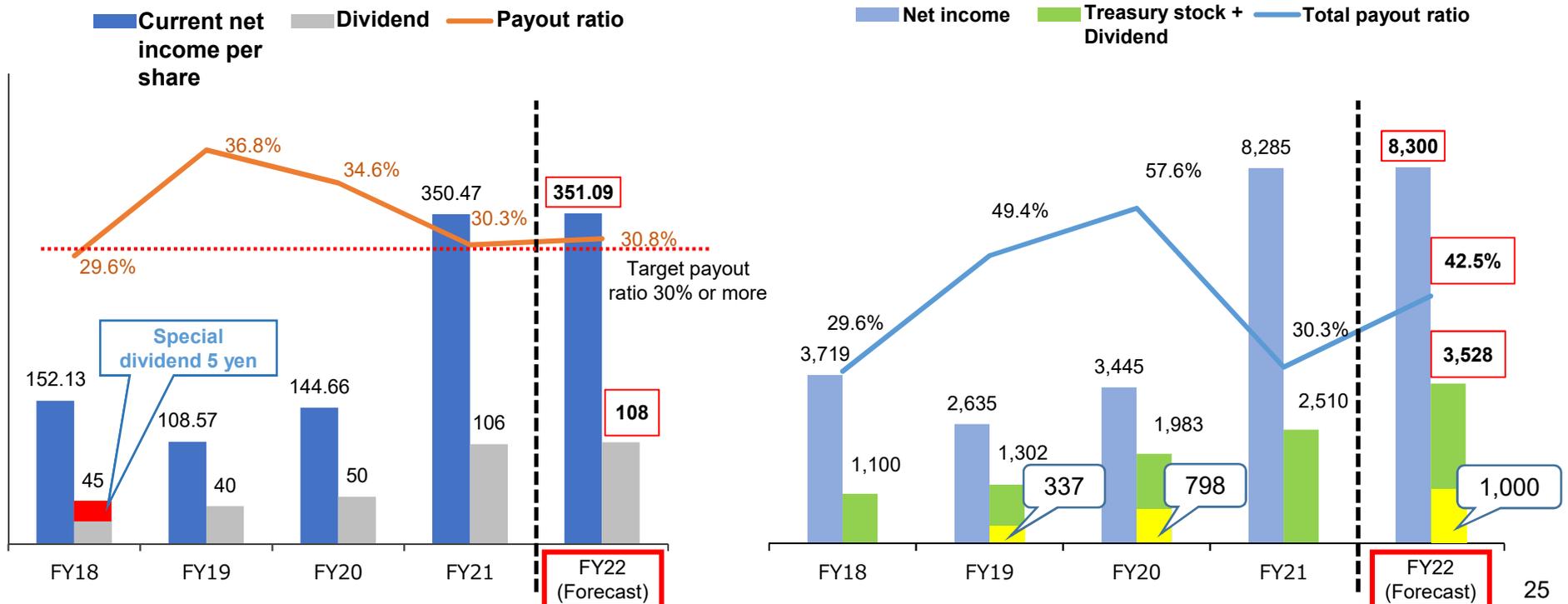
- There is no change to the previous forecast. 108 yen for full year (Interim: 54 yen, Year-end: 54 yen)

## [Acquisition of treasury shares was announced.]

- Total number / total value of shares to be acquired: 500,000 shares / 1.0 billion yen (maximum for both)
- Acquisition period: November 11, 2022 to March 31, 2023

**Current net income per share/Dividend/Payout ratio/Total payout ratio**

(Unit: Yen)





# Publication of Integrated Report and ESG/SDGs Initiatives

## [Publication of Integrated Report 2022 (August 2022)]

The Integrated Report introduces our materiality items to be addressed and the value creation process with an eye toward our ideal state in 2030 to achieve our purpose, “Creating a future that supports society.”



<https://www.pillar.co.jp/ja/ir/library/annual-report/>

## [Our ESG/SDGs Initiatives]

E	• Starting initiatives for the Scope 3 standard to reduce CO <sub>2</sub> emissions throughout the supply chain
	• Promoting introduction of solar power generation equipment
	• Starting purchase of clean electricity at some plants
S	• Implementation of diversity and inclusion training programs
	• The 4th COVID-19 workplace vaccination scheduled (in November)
	• Using the corporate version of hometown tax donation system to Fukuchiyama City, Kyoto
G	• Evaluation of the effectiveness of the Board of Directors using an external organization
	• Integrating Crisis Management Committee and BCM Promotion Committee to establish Risk Management Committee Identification of new risks including cyber-attacks and ongoing renewal of countermeasures and systems
	• Creation and distribution of a management book to systematically address problems and risks at overseas subsidiaries



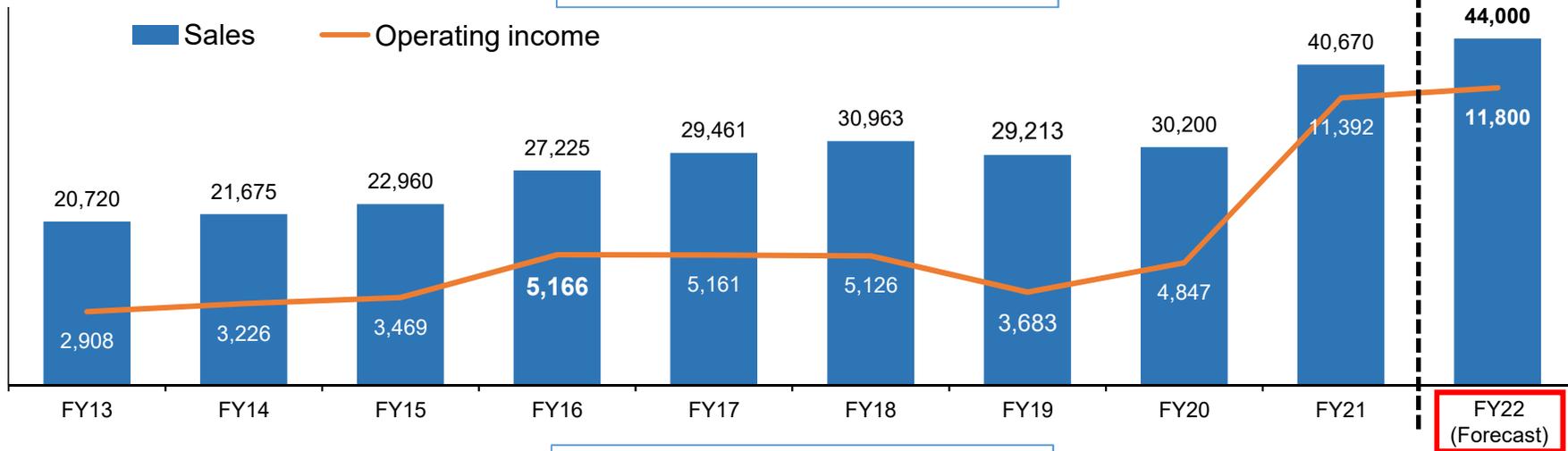


## **3. Reference Materials**

# Long-term Trends of Main Indexes

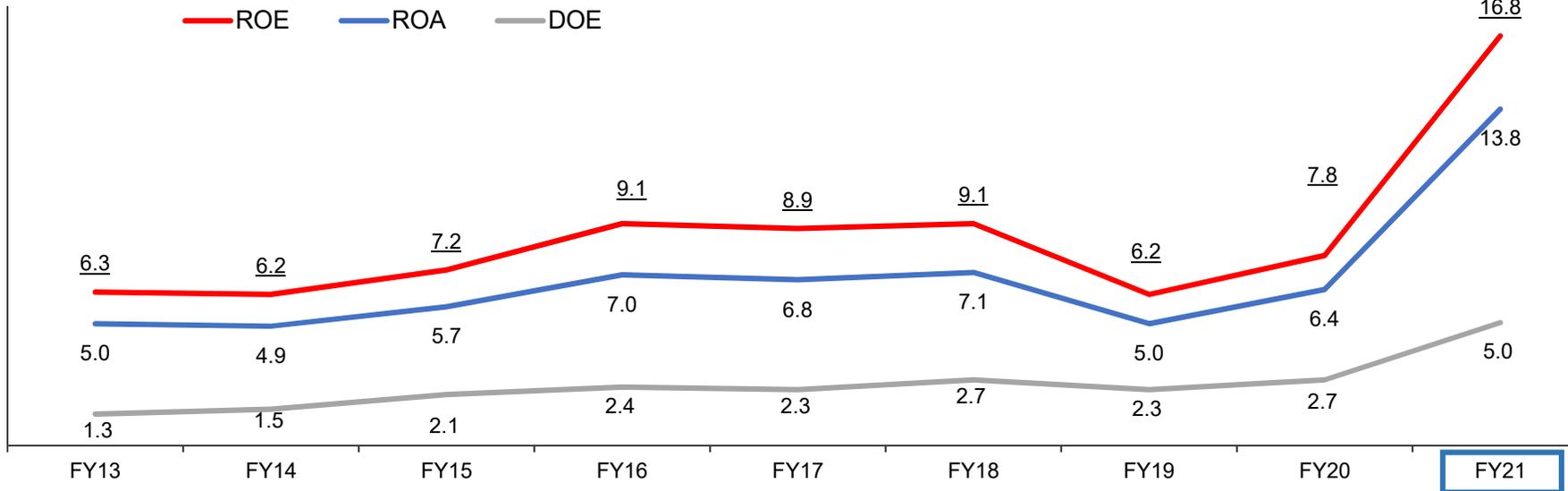
Sales•Operating income

(Unit: Million Yen)

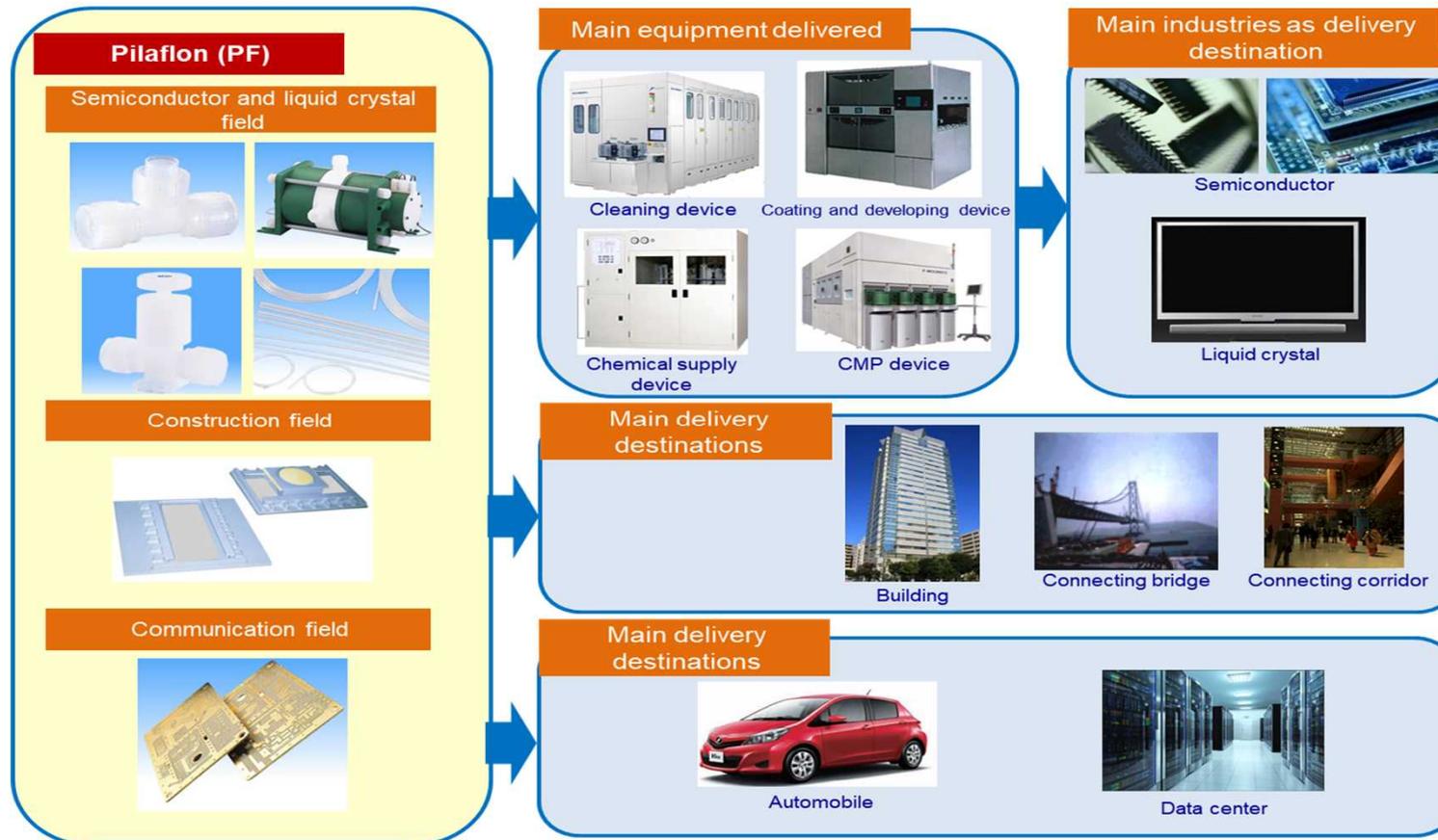


ROE•ROA•DOE

(Unit: %)



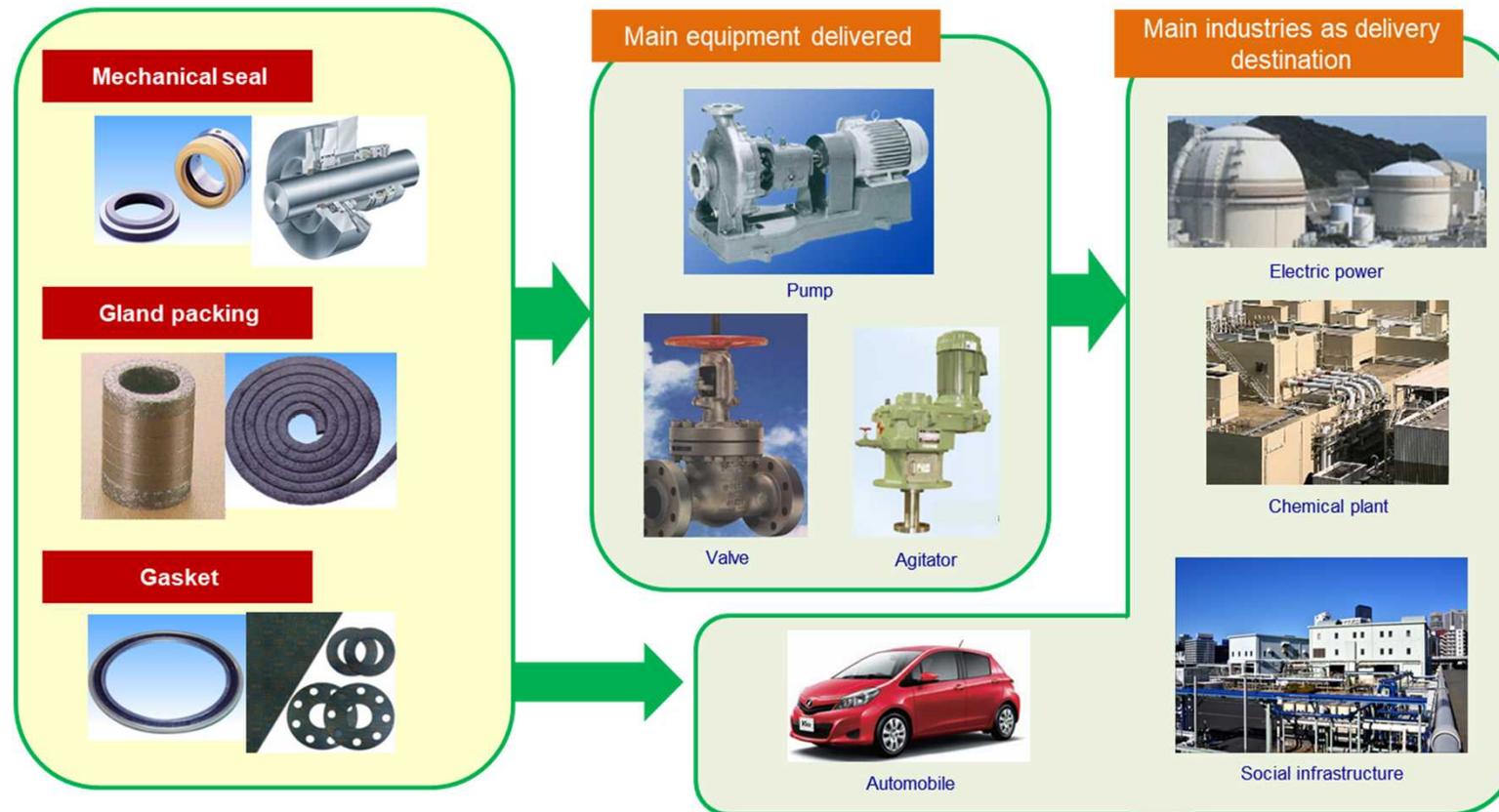
# Main Products and Delivery Destinations (Electronic equipment business)



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.

# 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.

## 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>Founding</b>	<b>1924</b>
<b>Representative</b>	<b>President Yoshinobu Iwanami</b>
<b>Stock Exchange Listing</b>	<b>TSE Prime (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>832 (Consolidated: as of March 2022)</b>
<b>Sales</b>	<b>¥40.67 billion (Consolidated: FYE March 2022)</b>



The fluid leak prevention and control equipment manufacturer

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

(Contact)

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- 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.