



Financial Results Presentation Material
Second Quarter for Fiscal Year Ending March 31, 2021

November 2020
Securities code:6490

PILLAR

NIPPON PILLAR PACKING CO., LTD.

- 1. General Overview of the Financial Results for the Second Quarter**
- 2. Full-year Earnings Forecast**
- 3. Analysis of the Financial Results for the Second Quarter**
- 4. Reference Materials**



1. General Overview of the Financial Results for the Second Quarter

Highlights for 2Q of the Fiscal Year Ending March 2021

Sales ¥13,742 million (down ¥585 million year-on-year, -4.1%)

- **The industrial equipment business** experienced sluggish demand for transportation equipment and oil plants mainly affected by the new coronavirus infection. As a result, sales came to 4,699 million yen (down 12.0% year-on-year).
- **The electronic equipment business** saw steady investment in semiconductor equipment due partly to the demand for remote working to prevent the spread of the new coronavirus infection. As a result, sales amounted to 8,999 million yen (up 0.7% year-on-year).

Operating income ¥1,772 million (down ¥33 million year-on-year, -1.8%)

- Although there was support from the growth in sales of the electronic equipment business, the profit decrease in sales of the industrial equipment business pushed down operating income by 1.8% year-on-year.

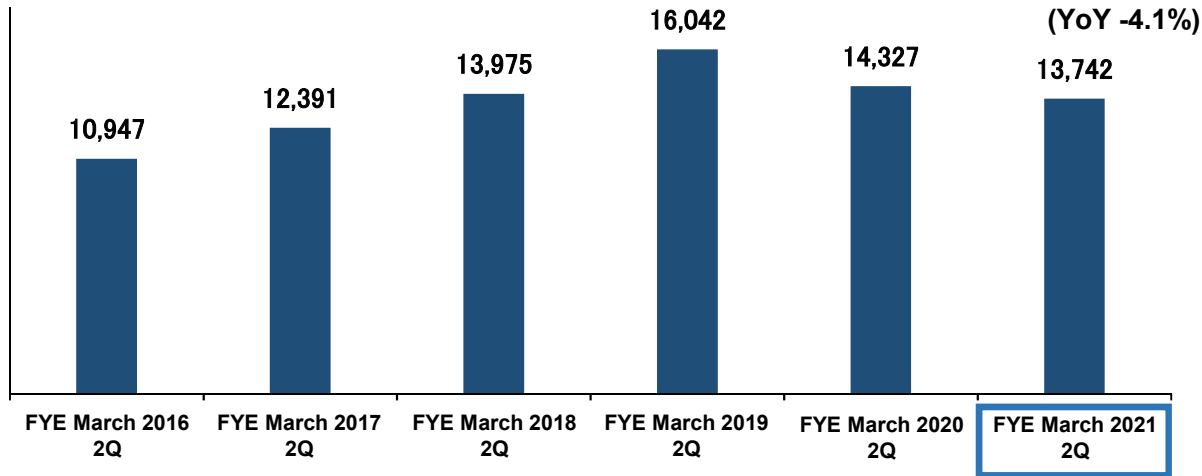
Current net income ¥1,303 million (down ¥15 million year-on-year, -1.1%)

- Net income in the quarter attributable to owners of parent decreased by 1.1% year-on-year, due to the decreases in sales and profit.

Trends of Company-wide Earnings

Sales

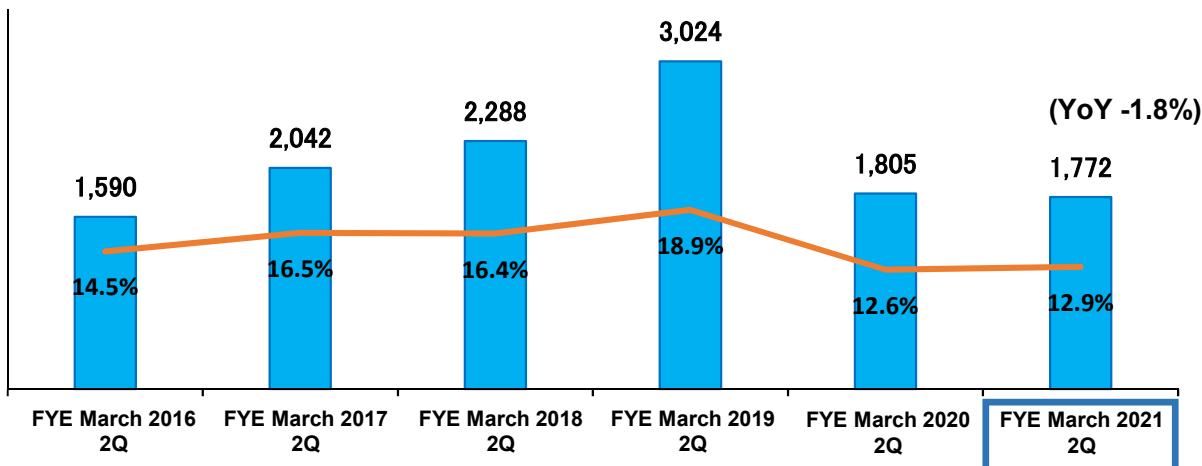
(Unit: Million Yen)



Points

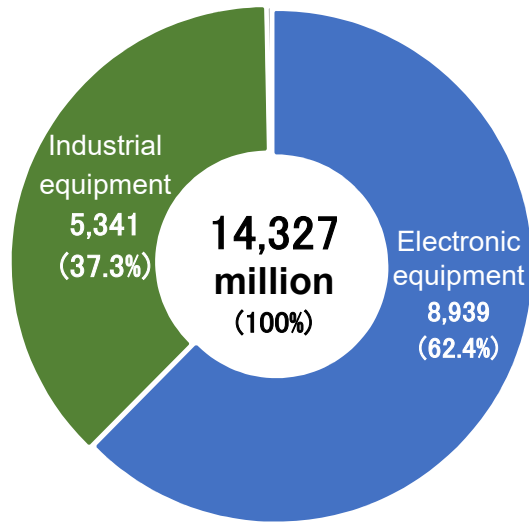
- Industrial equipment business has come to a standstill in many markets due to the global impact of the new coronavirus infection.
- The semiconductor market remains strong supported by the demand for remote working and other factors.
- Depreciation cost increased as the new Sanda Factory was completed in March 2020.

Operating income/Operating income ratio



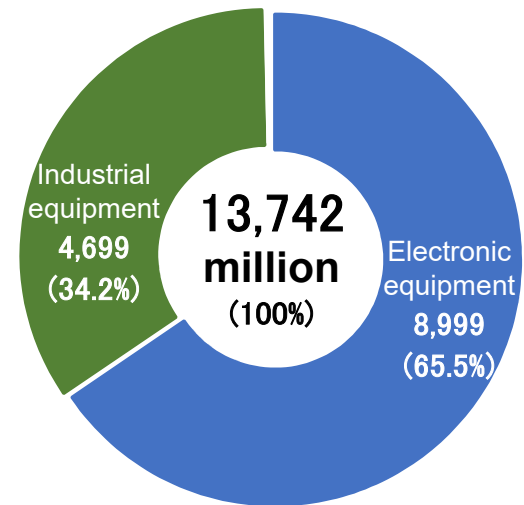
Sales by Segment

Previous Year



FYE March 2020
2Q

Current Year



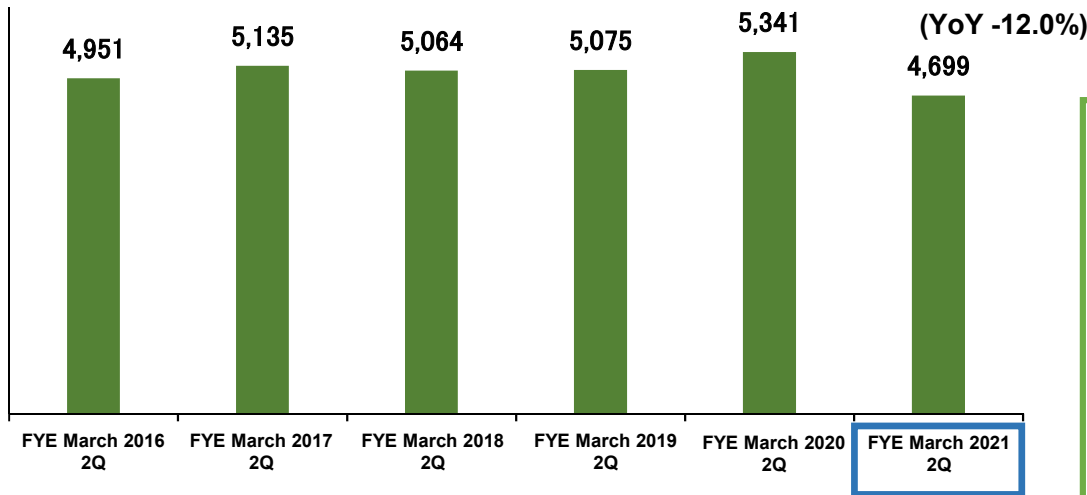
FYE March 2021
2Q

Earnings Trends by Segment [1]

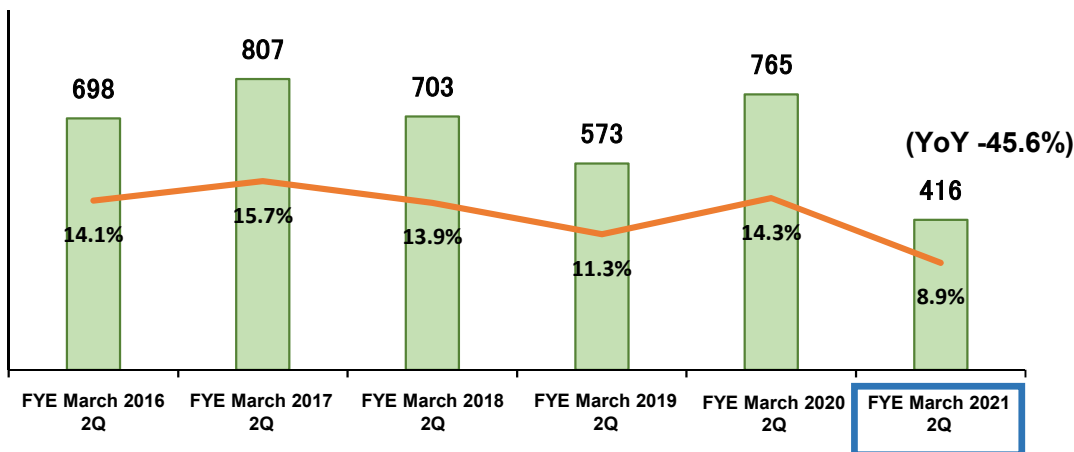
Industrial Equipment Business

Sales

(Unit: Million Yen)



Operating income/Operating income ratio



Points

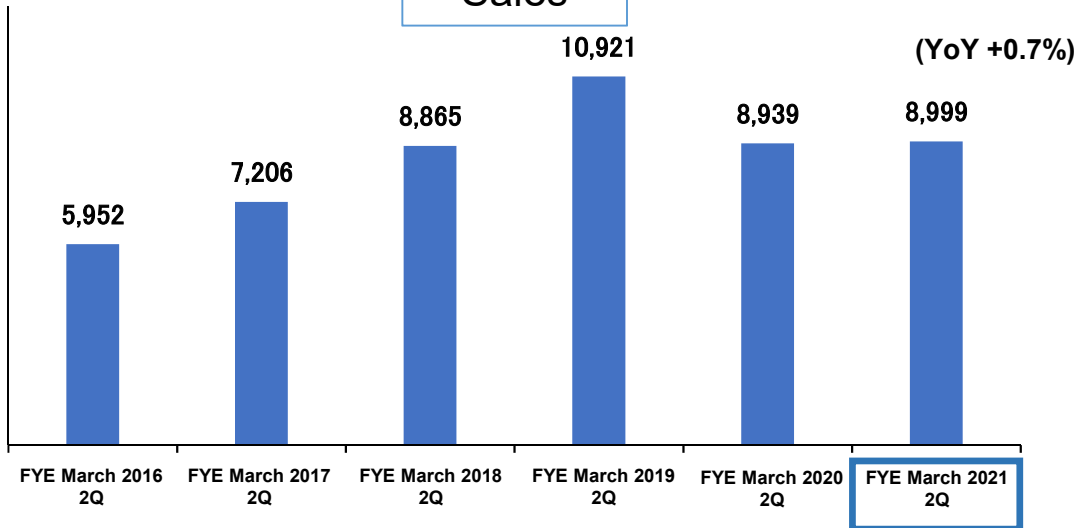
- Sales and profits declined adversely affected by the coronavirus infection.
- Sales of mechanical seals for precision machinery remained healthy.
- Demand decline mainly for transportation equipment and oil plants.
- Depreciation cost increased with the completion of the renewal of Sanda Factory (construction completed in March 2020).
- Automation and labor-saving equipment, such as AGV (automated guided vehicle) started operation.

Earnings Trends by Segment [2]

Electronic Equipment Business

Sales

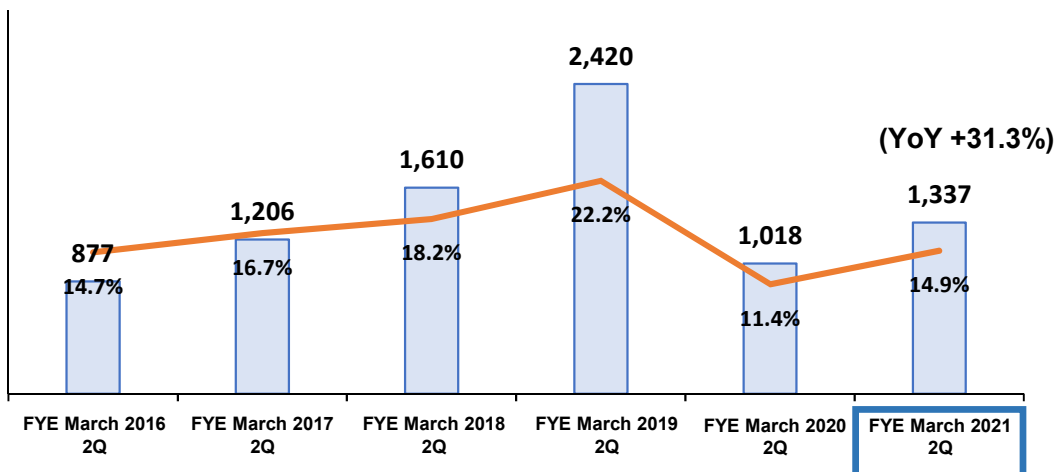
(Unit: Million Yen)



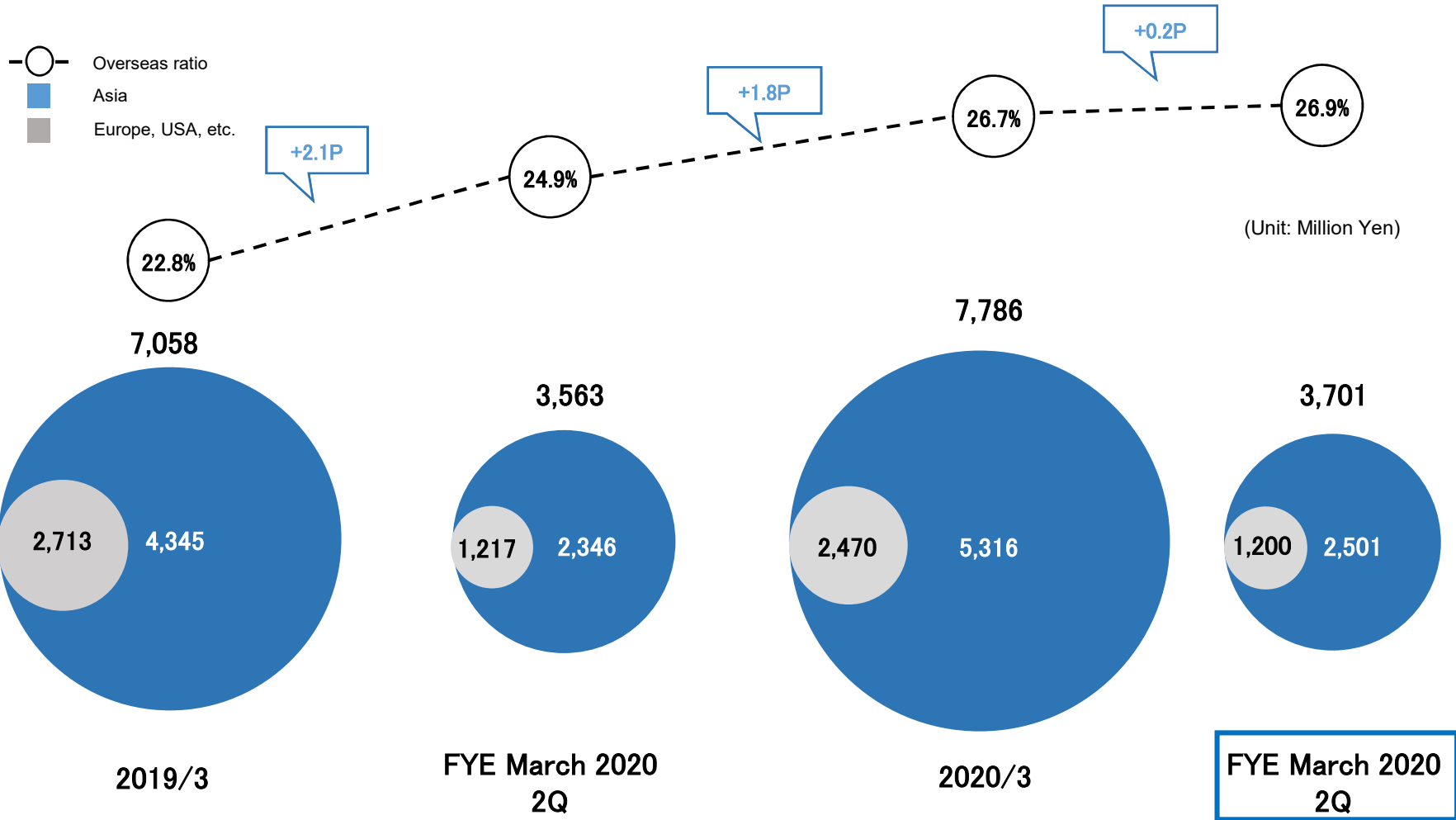
Points

- Both sales and operating income increased even in the coronavirus pandemic.
- A new type of fitting with reduced pressure loss has been put to the market.
- An appropriate inventory level has been secured in preparation for the expected demand increase from the second half year.
- Operating income increased thanks partly to our continuous cost reduction activities.

Operating income/Operating income ratio



Overseas Sales Expansion



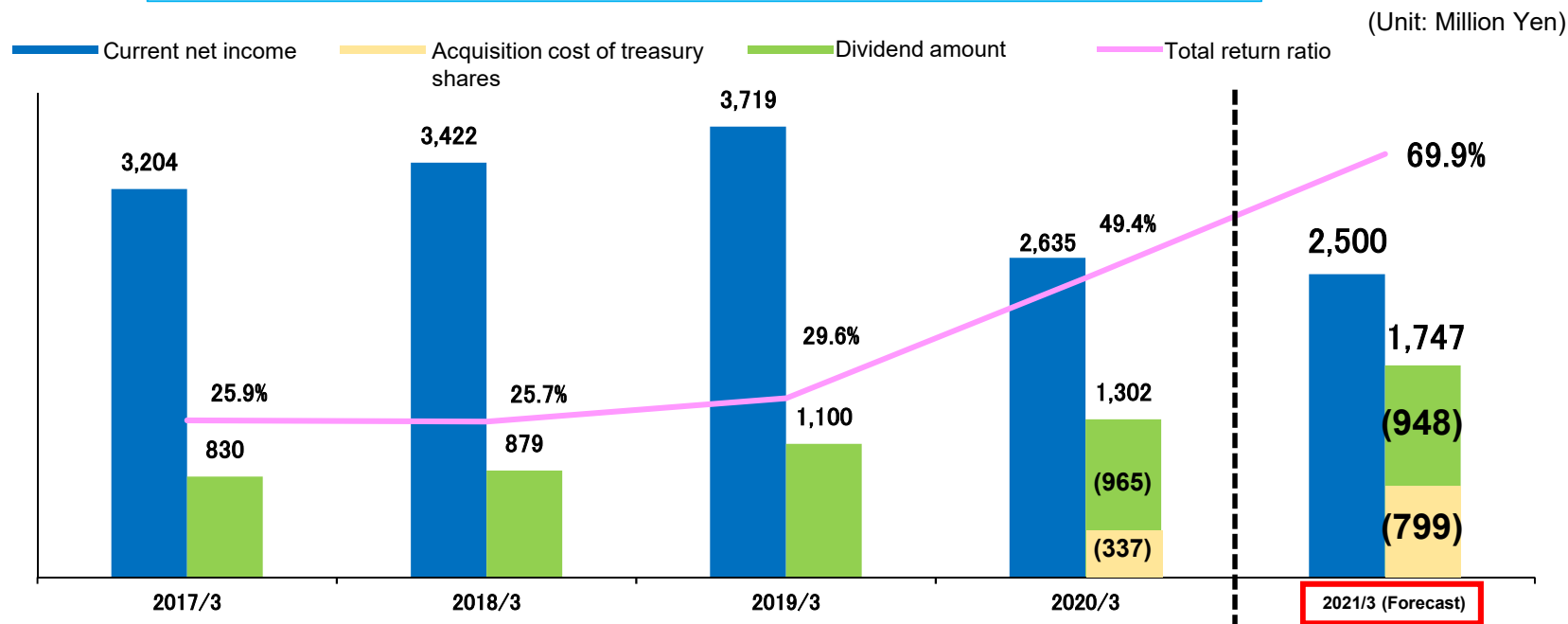
TOPICS [1] Acquisition of Treasury Shares

[Status of Share Buyback]

	Period of acquisition	Number of shares acquired	Acquisition cost
1 st	May 21, 2020 – June 12, 2020	342,000 shares	499 million yen
2 nd	November 13, 2020 – March 31, 2021	300,000 shares (max.)	300 million yen (max.)
Total		642,000 shares*	799 million yen*

* Numerical values when acquired with the maximum number and amount of money respectively

Trends of net income and distribution of profits



TOPICS [2] Construction of Technology Development Center

Incubating innovation

Purpose of construction

Promoting product development with an eye on the future market

- (1) Strengthen our comprehensive sealing technology by combining and integrating various technologies.
- (2) Work on advanced technologies by strengthening the industry-government-academia collaboration.
- (3) Drive home our technological capability to visitors.

Construction details

- Location: 541-1, Aza-Uchiba, Shimouchigami, Sanda-shi, Hyogo
- Total investment: ¥3.0 billion
- Financing plan: To be appropriated by own capital and borrowings

* The impact of the acquisition of this fixed asset on our business results for the current fiscal year is currently being closely examined. We will promptly announce upon identifying a significant impact on our business results in the future.

(Schedule) Outline until the completion of the Technology Development Center

Month/Year	Program
May 2021	Start of construction
March 2022	Completion of Technology Development Center



(Technology Development Center – perspective drawing) 11

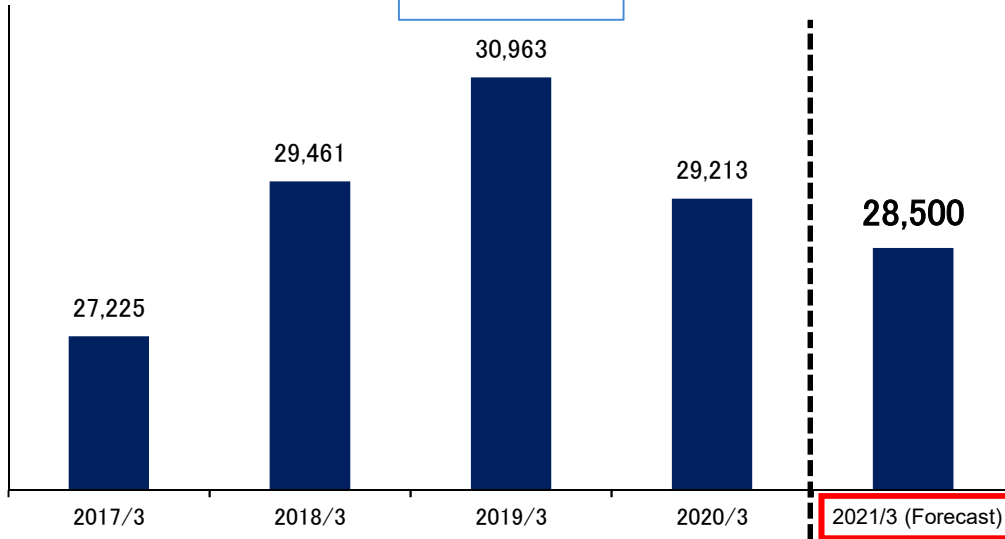


2. Full-year Earnings Forecast

Trends of Company-wide Earnings

Sales

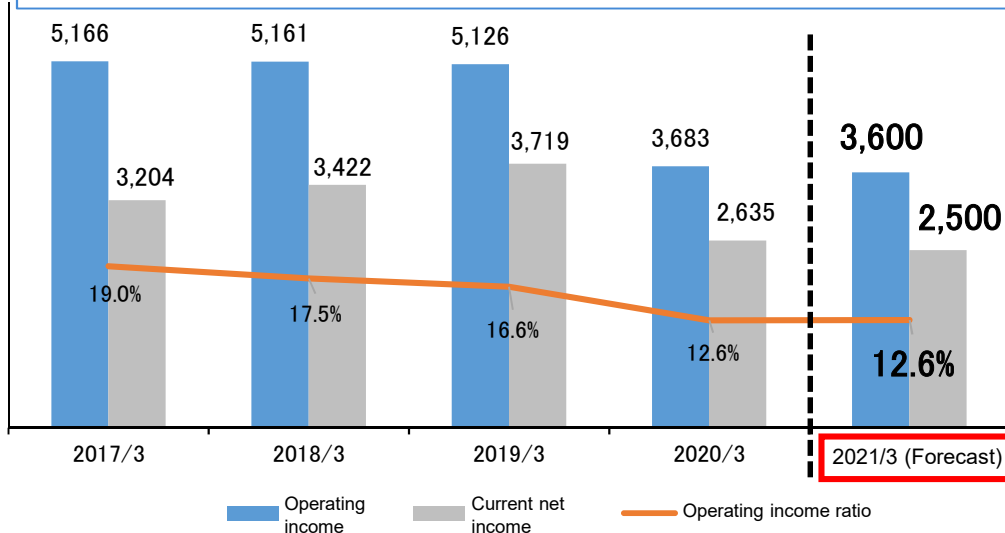
(Unit: Million Yen)



Points

- Forecast remains the same as the previous announcement.
- Downwardly revised for the Industrial Equipment Business as there is no sign that the coronavirus infection will die down.
- Upwardly revised for the Electronic Equipment Business in anticipation of recovery in the semiconductor market from the second half of the year.
- Full-scale operation of automated equipment such as AGV will boost productivity.
- As we start business reform, a system to fulfill supply responsibility is to be built even in the coronavirus pandemic.

Operating income•Current net income/Operating income ratio

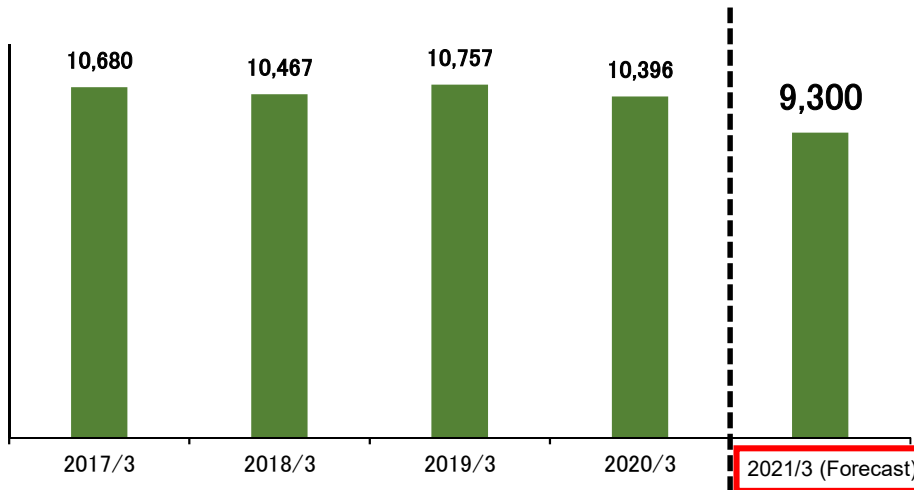


Earnings Trends by Segment [1]

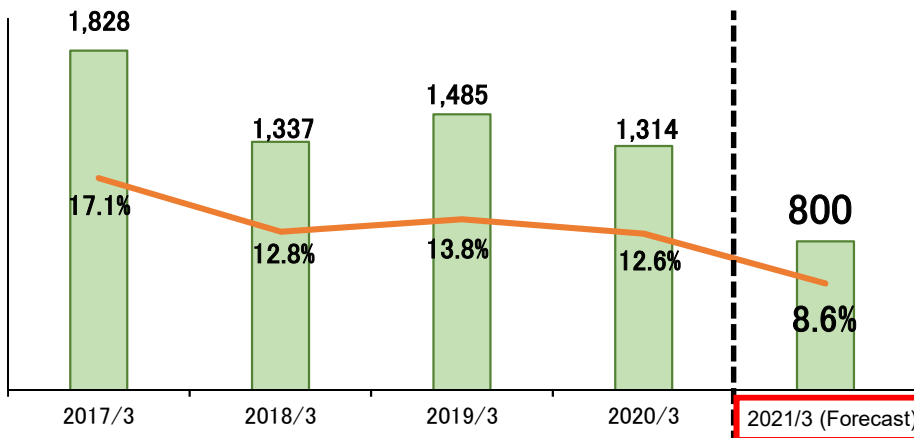
Industrial Equipment Business

Sales

(Unit: Million Yen)



Operating income/Operating income ratio



Points

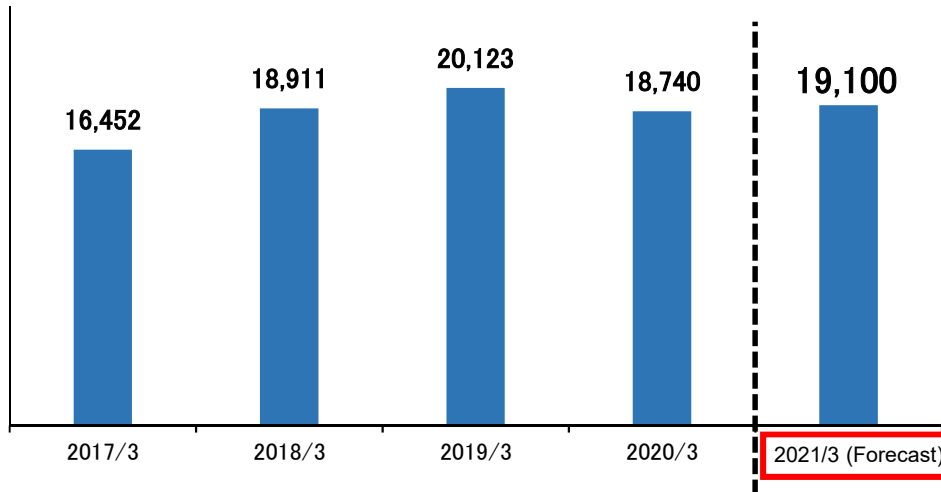
- **Downwardly revised from the previous forecast.**
(Sales 9,600 → 9,300)
(Operating income 1,100 → 800)
- **Market recovery will remain uncertain because the end of the fight against coronavirus infection is not in sight.**
- **The Chinese market shows a sign of recovery, but it will not be able to make up for the overall decline.**
- **Mechanical seals for precision machinery are expected to be strong.**
- **Despite the increase in depreciation cost for the completion of the new Sanda Factory, we will strive to improve productivity with automated and labor-saving equipment.**

Earnings Trends by Segment [2]

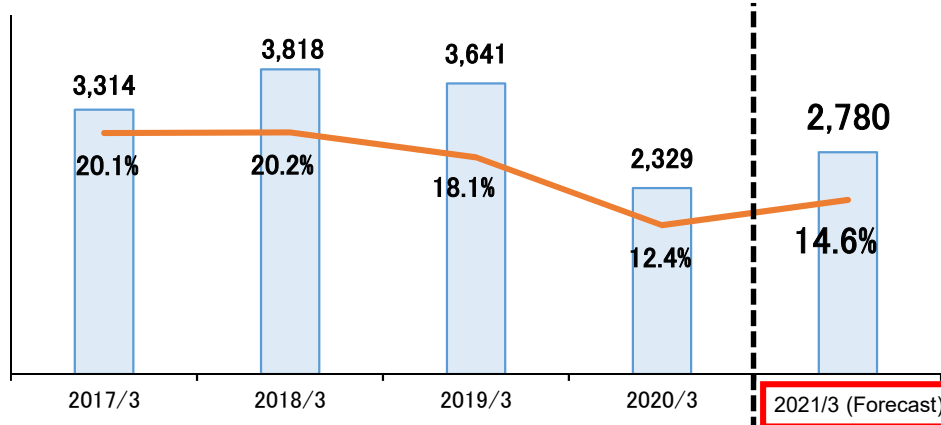
Electronic Equipment Business

Sales

(Unit: Million Yen)



Operating income/Operating income ratio



Points

- Upwardly revised from the previous forecast.
(Sales 18,800 → 19,100)
(Operating income 2,500 → 2,780)
- Amid the coronavirus pandemic, the short-term outlook is uncertain. Meanwhile, the medium- to long-term growth outlook remains unchanged due partly to the support of demand for remote working.
- Production facilities will be enhanced for production increase eyeing an increase in demand for 5G, etc.
- The US-China trade war will continuously be watched closely.



3. Analysis of the Financial Results for the Second Quarter

Summary of Business Performance

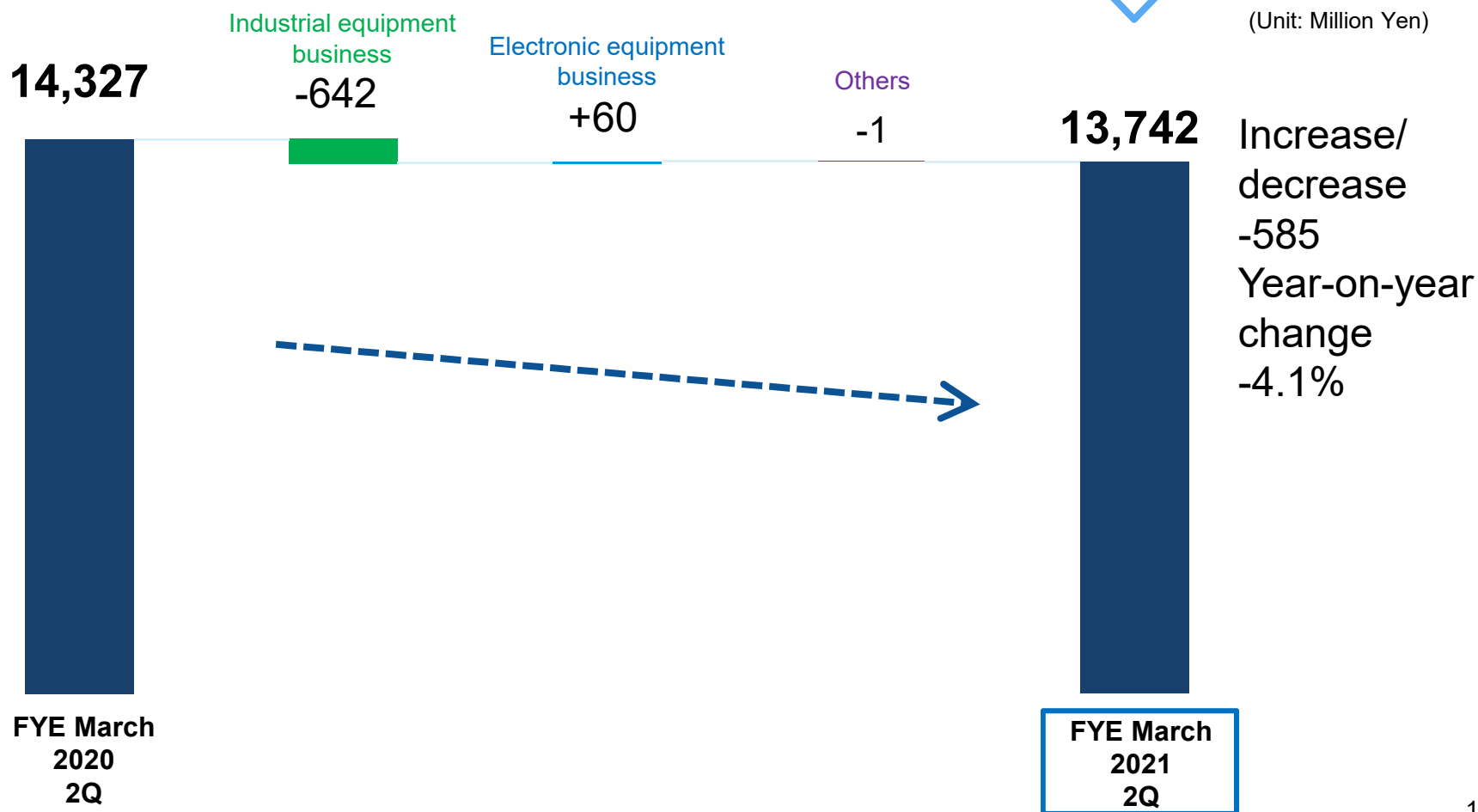
(Unit: Million Yen)

	FYE March 2020 2Q	FYE March 2021 2Q	Change from the same period of the previous fiscal year	
	<Results>	<Results>	Increase (Decrease)	Change rate (%)
Consolidated results				
Sales	14,327	13,742	- 585	- 4.1
Operating income	1,805	1,772	- 33	- 1.8
Operating income ratio	12.6%	12.9%	—	—
Ordinary income	1,806	1,849	43	2.4
Net income	1,318	1,303	- 15	- 1.1
Net earnings per share	54.05	54.45	0.40	—
Dividend	20	20	0	—
By segment				
Industrial equipment business				
Sales	5,341	4,699	- 642	- 12.0
Operating income	765	416	- 349	- 45.6
Electronic equipment business				
Sales	8,939	8,999	60	0.7
Operating income	1,018	1,337	319	31.3

Analysis of Increase/Decrease in Q2 Sales

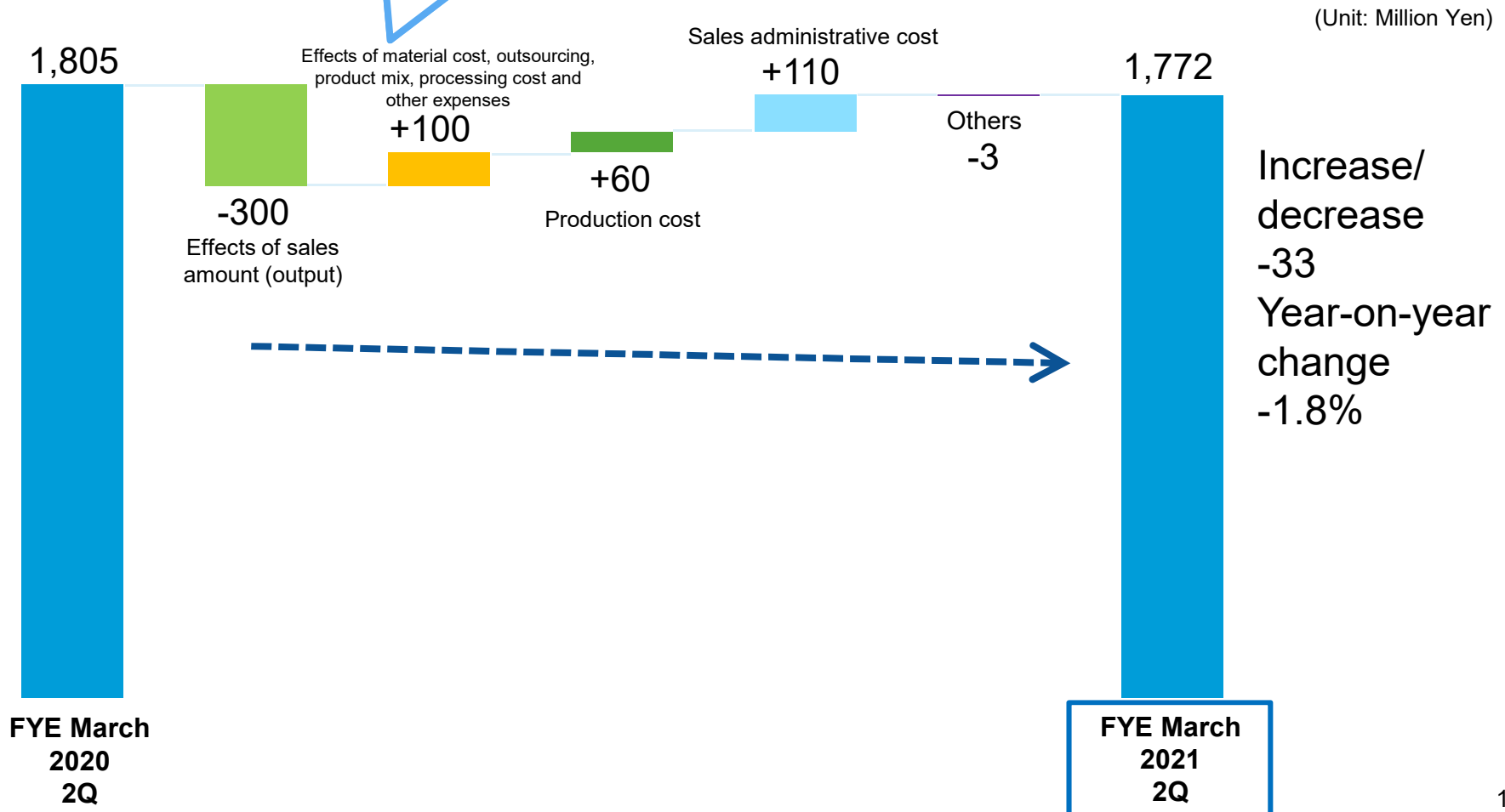
Industrial Equipment: Wile mechanical seals for precision machinery were healthy, those for transportation equipment and oil plant were sluggish.
Electronic Equipment: Investment in semiconductor equipment remained strong thanks partly to demand for remote working.

(Unit: Million Yen)



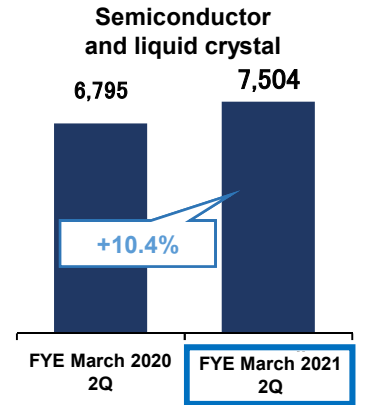
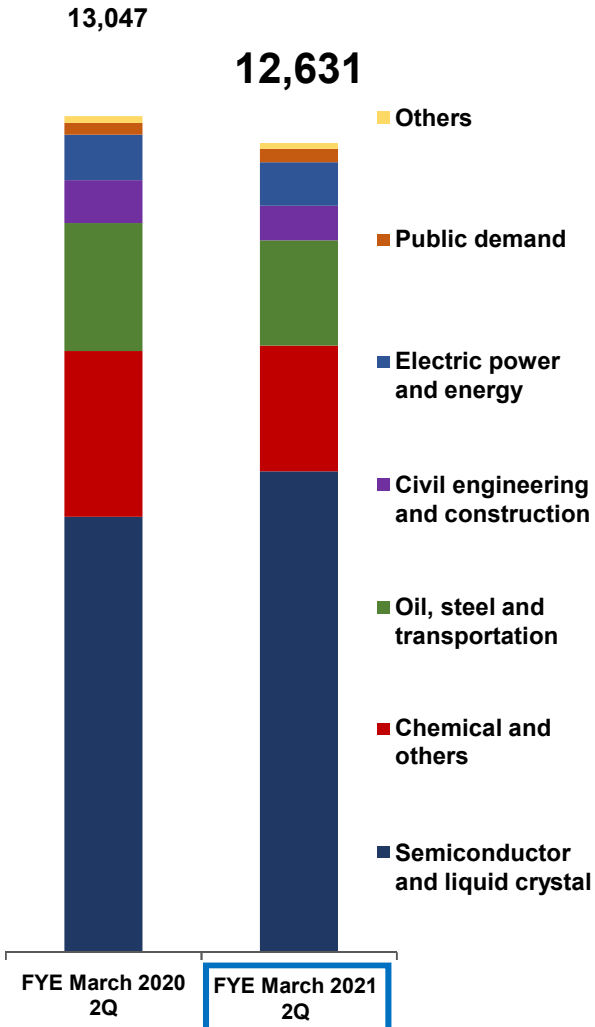
Analysis of Increase/Decrease in Q2 Operating Income

While profits declined significantly due to a decrease in sales and depreciation cost for the new Sanda Factory increased, expenses were cut back slightly as a result of the promotion of cost reduction activities and voluntary restraint of business trips.

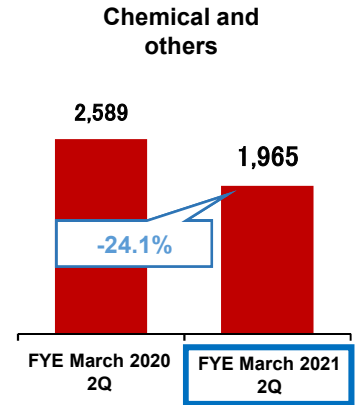


Sales by Market (Non-consolidated)

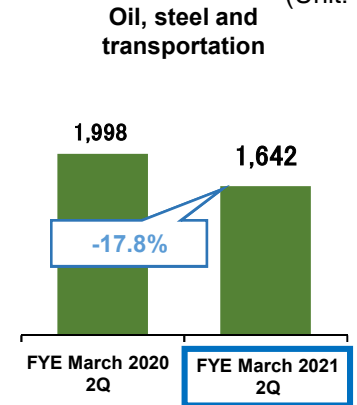
(Unit: Million Yen)



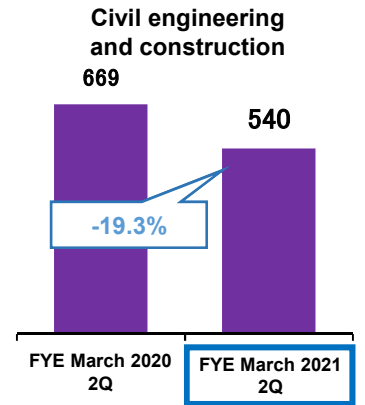
Demand was healthy for CMP and semiconductor device. Orders were brisk for chemical liquid supply-related products.



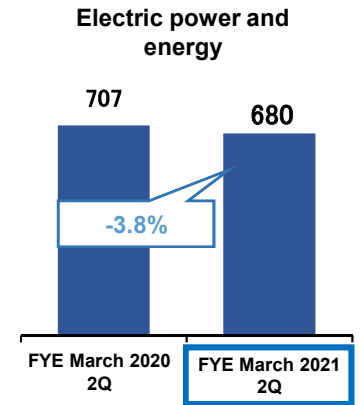
Fewer orders were received for products intended for overseas markets compared to the previous year in which overseas large projects were received



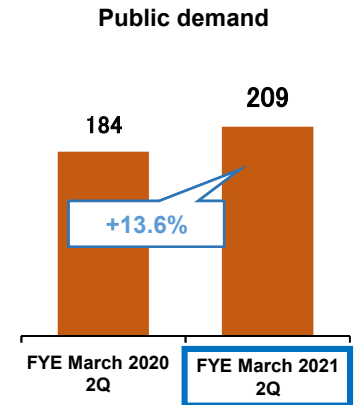
Sales of products for the automobile market were slow due to the spread of the coronavirus infection.



Construction projects came to a hold amid the coronavirus infection.



Periodic maintenance/repair orders in the electricity market also decreased amid the coronavirus pandemic.



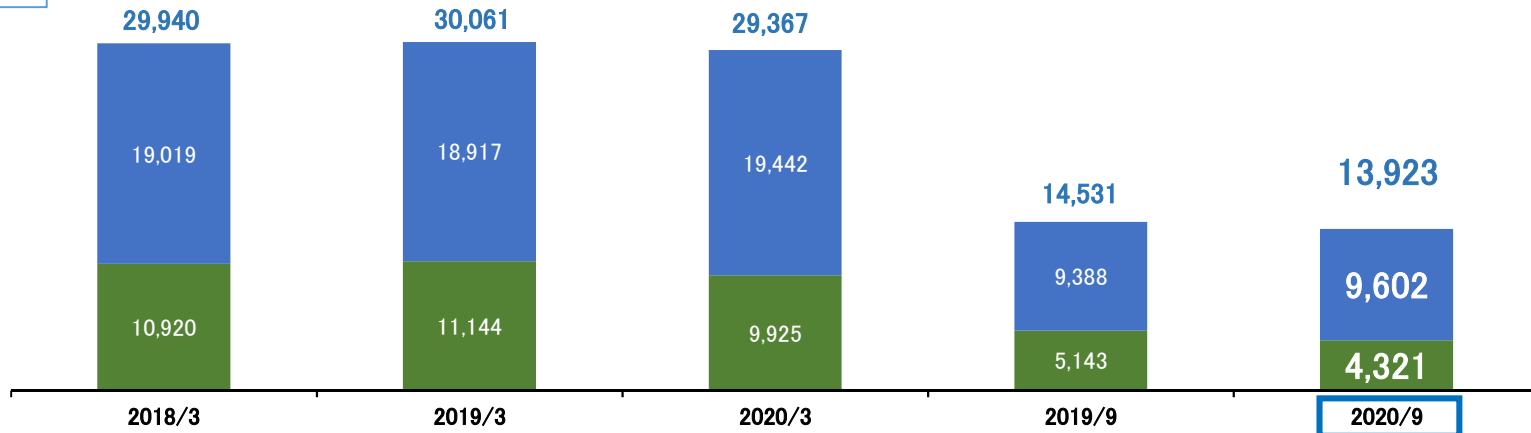
Water and sewage treatment demand increased.

Changes in Orders Received and Order Backlog

Orders received

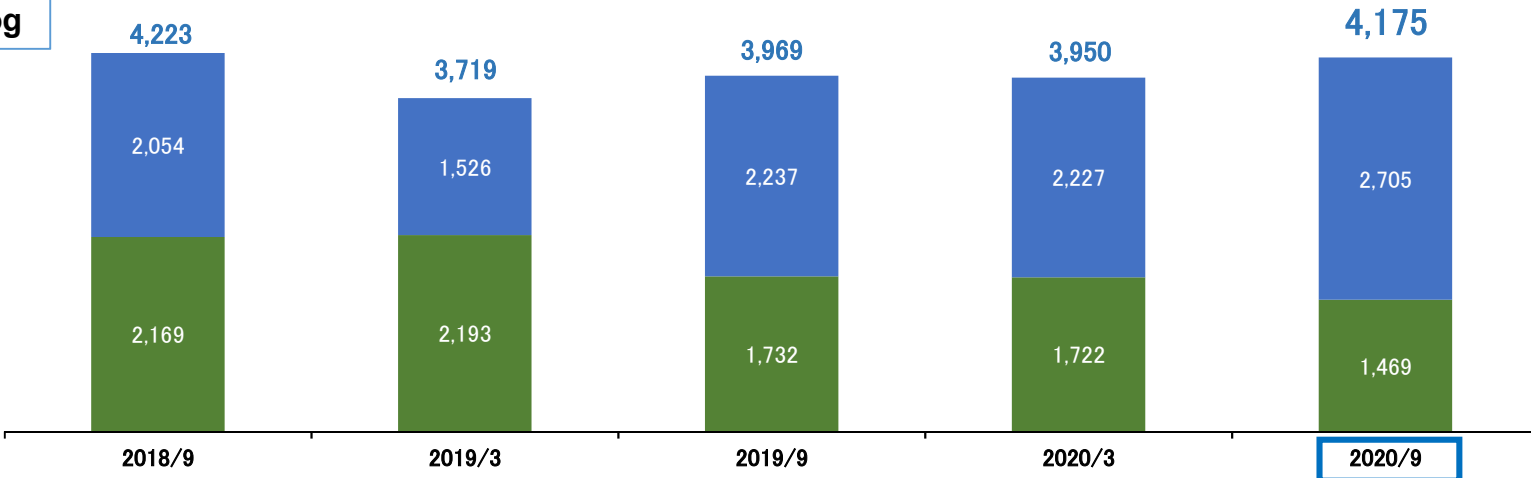
■ Industrial equipment ■ Electronic equipment

(Unit: Million Yen)

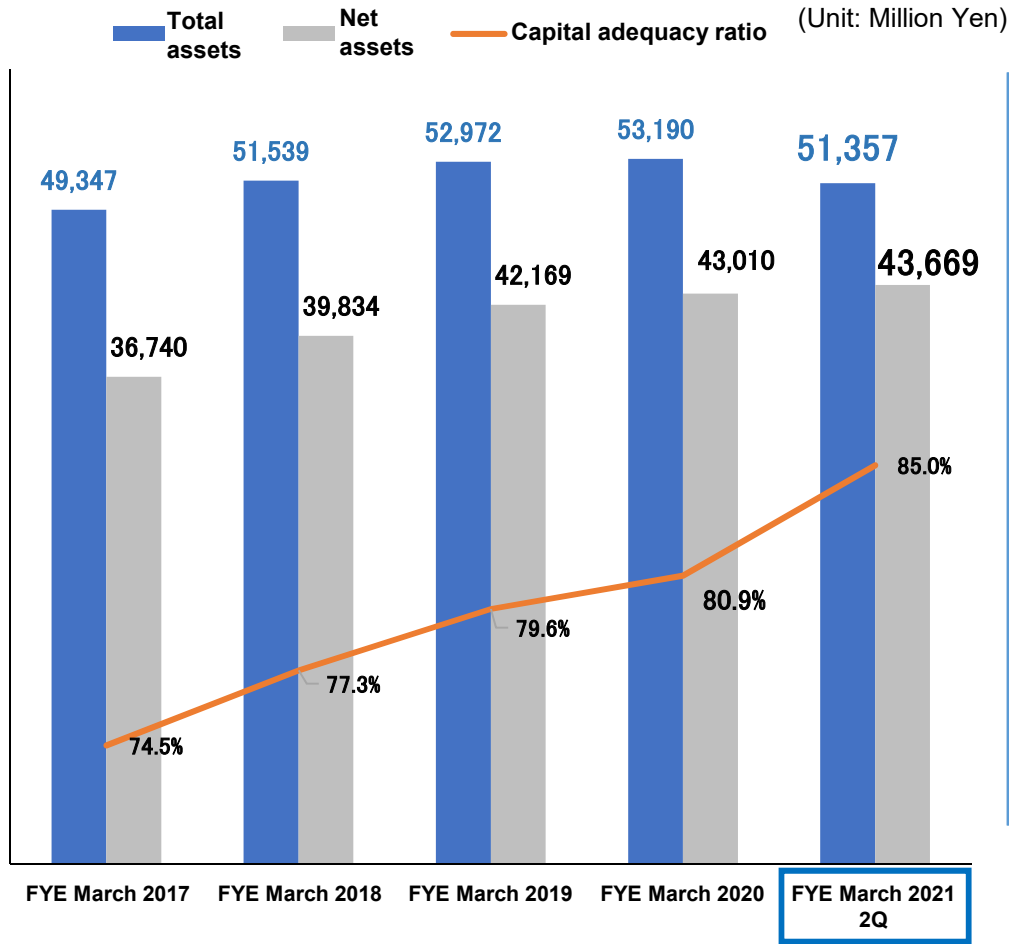


Order backlog

■ Industrial equipment ■ Electronic equipment



Financial Status

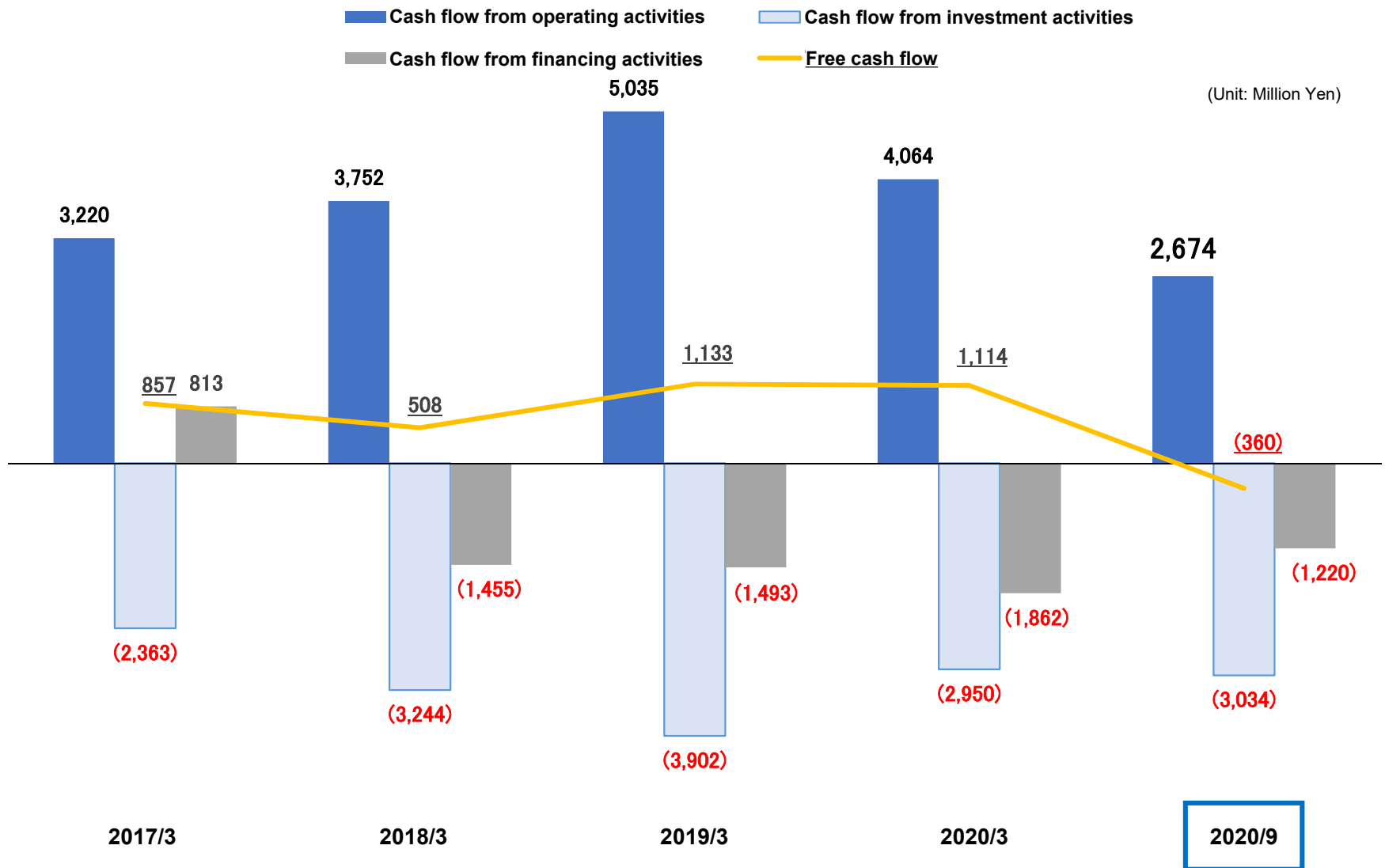


Points

- Total assets increased by approx. ¥220 million.
- Interest-bearing debt decreased by approx. 220 million yen.
- 342,000 treasury shares were bought back (at ¥490 million).
- Capital adequacy ratio was 85%.

* 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



Earnings Forecast for the Fiscal Year Ending March 2021

(Unit: Million Yen)

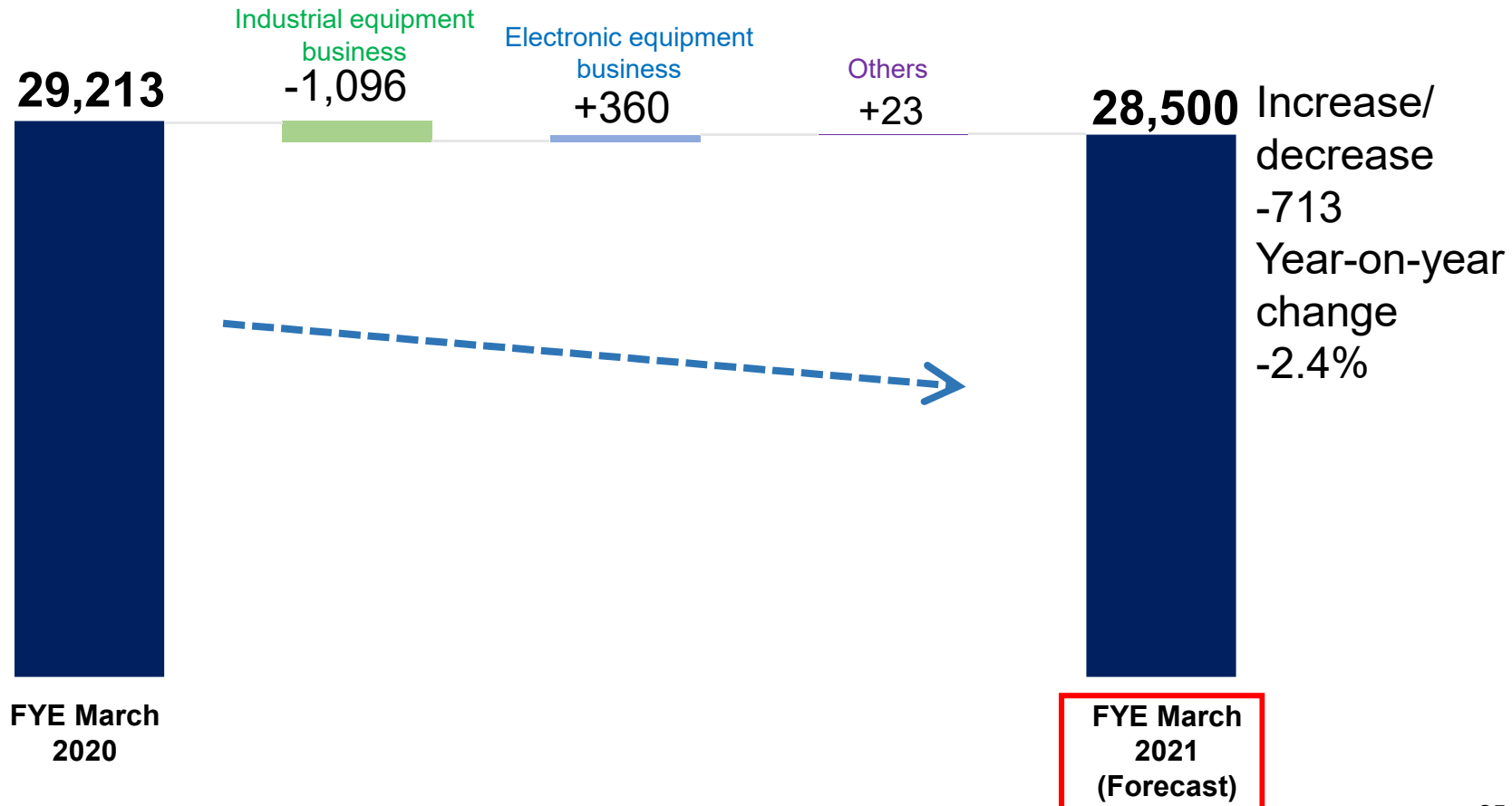
	FYE March 2020	FYE March 2021	Change from the same period of the previous fiscal year	
	Full year <Results>	Full year <Forecast>	Increase (Decrease)	Change rate (%)
Consolidated results				
Sales	29,213	28,500	- 713	- 2.4
Operating income	3,683	3,600	- 83	- 2.3
Operating income ratio	12.6%	12.6%	—	—
Ordinary income	3,725	3,600	- 125	- 3.4
Net income	2,635	2,500	- 135	- 5.1
Net earnings per share	108.57	104.42	- 4.15	—
Dividend	40	40	0	—
By segment				
Industrial equipment business				
Sales	10,396	9,300	- 1,096	- 10.5
Operating income	1,314	800	- 514	- 39.1
Electronic equipment business				
Sales	18,740	19,100	360	1.9
Operating income	2,329	2,780	451	19.4

Analysis of Increase/Decrease in Full-Year Sales

Industrial Equipment: Although the Chinese market is expected to recover, demand will remain weak as a whole.

Electronic Equipment: Despite an uncertain short-term outlook, sales will increase supported by remote working demand.

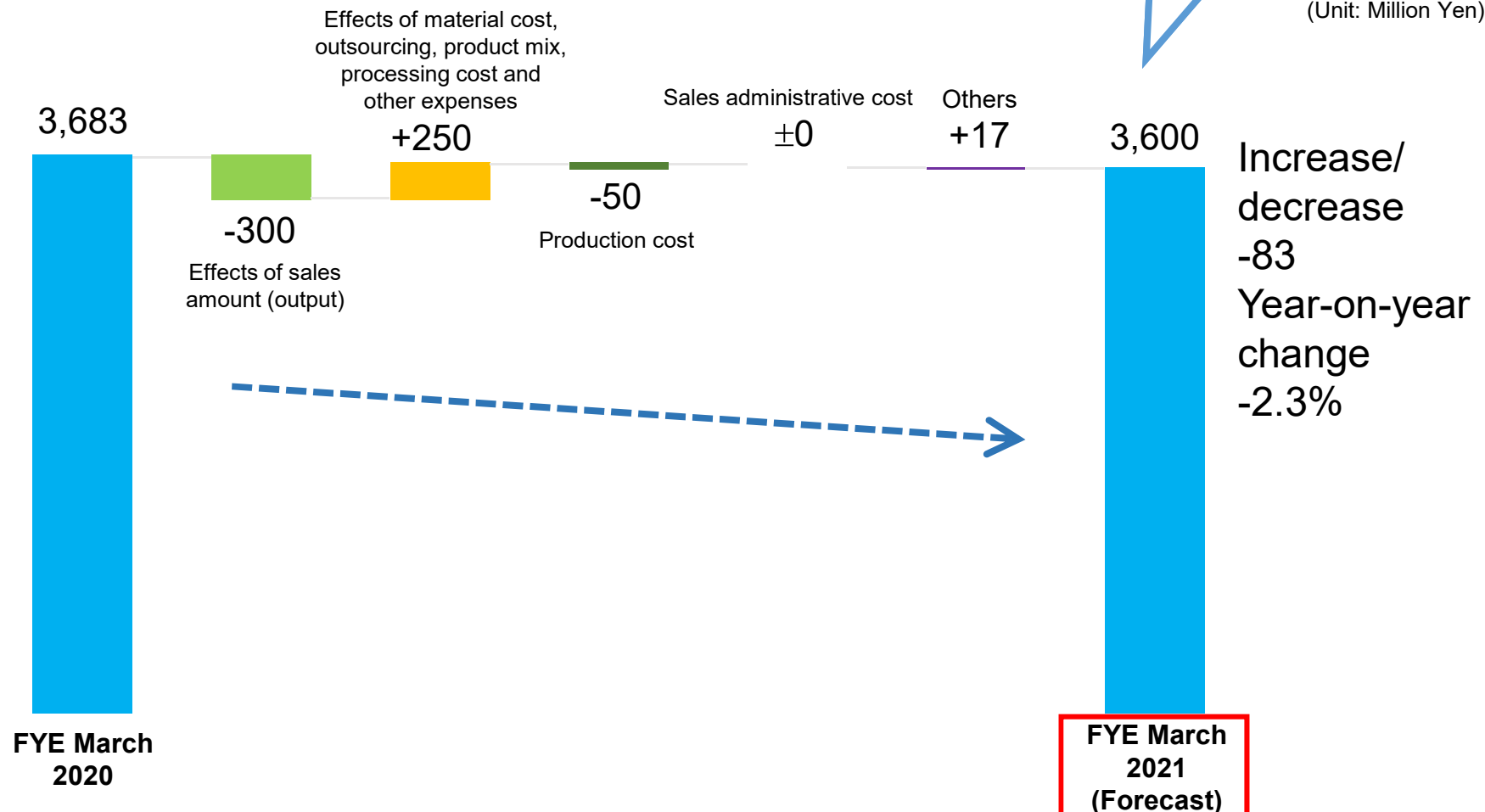
(Unit: Million Yen)



Analysis of Increase/Decrease in Full-Year Operating Income

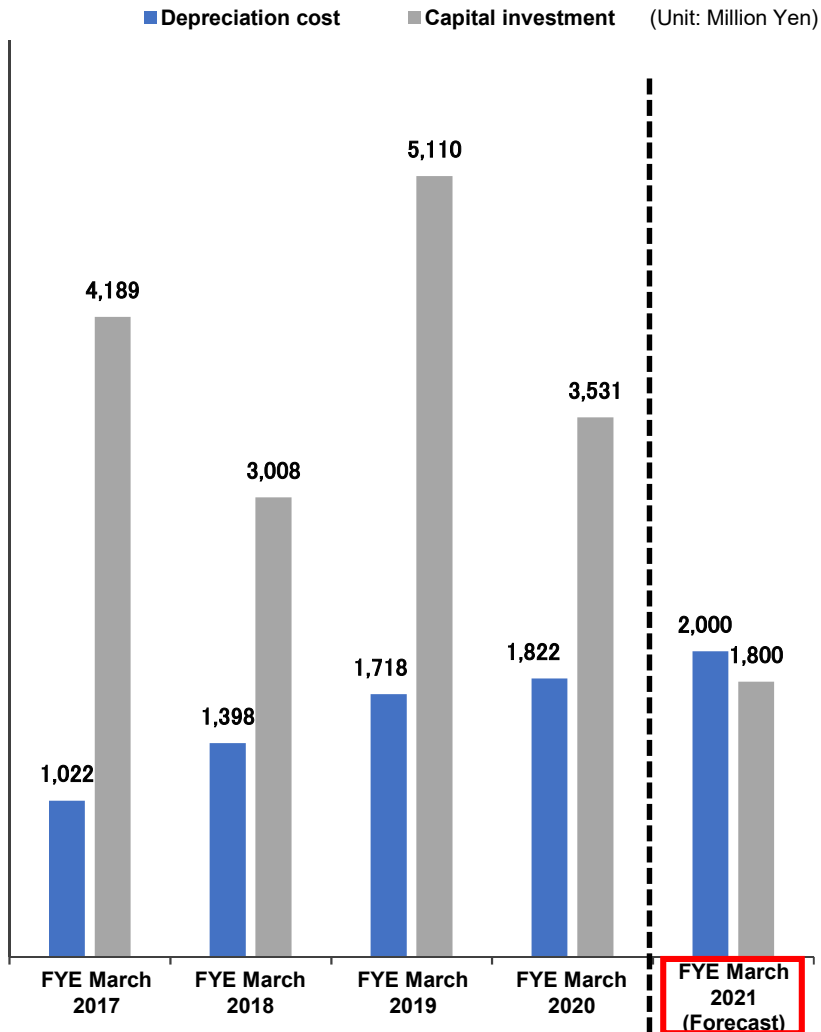
Despite continued sluggish demand in the Industrial Equipment Business, the semiconductor market will remain firm. Expenses will increase due mainly to the depreciation cost and tax burden on the new Sanda Factory, and the relaxation of voluntary restraint.

(Unit: Million Yen)

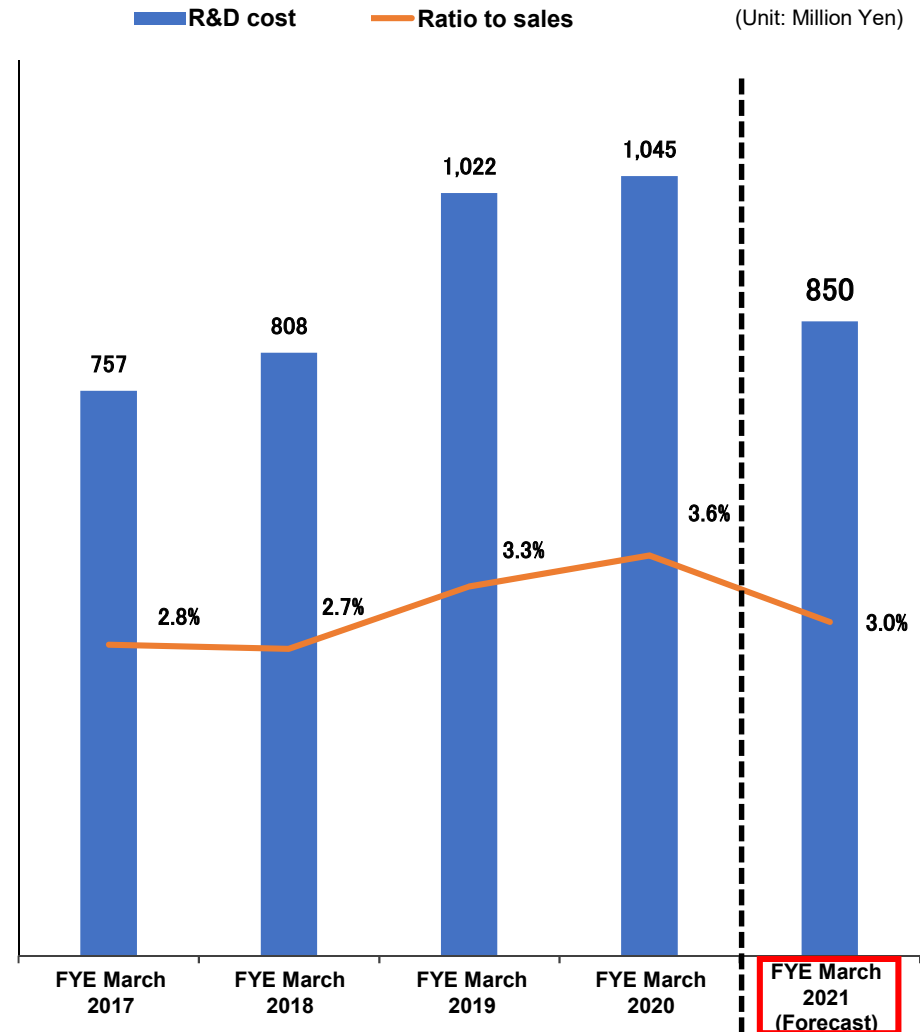


Capital Investment and Depreciation Cost / R&D Cost

Capital Investment and Depreciation Cost



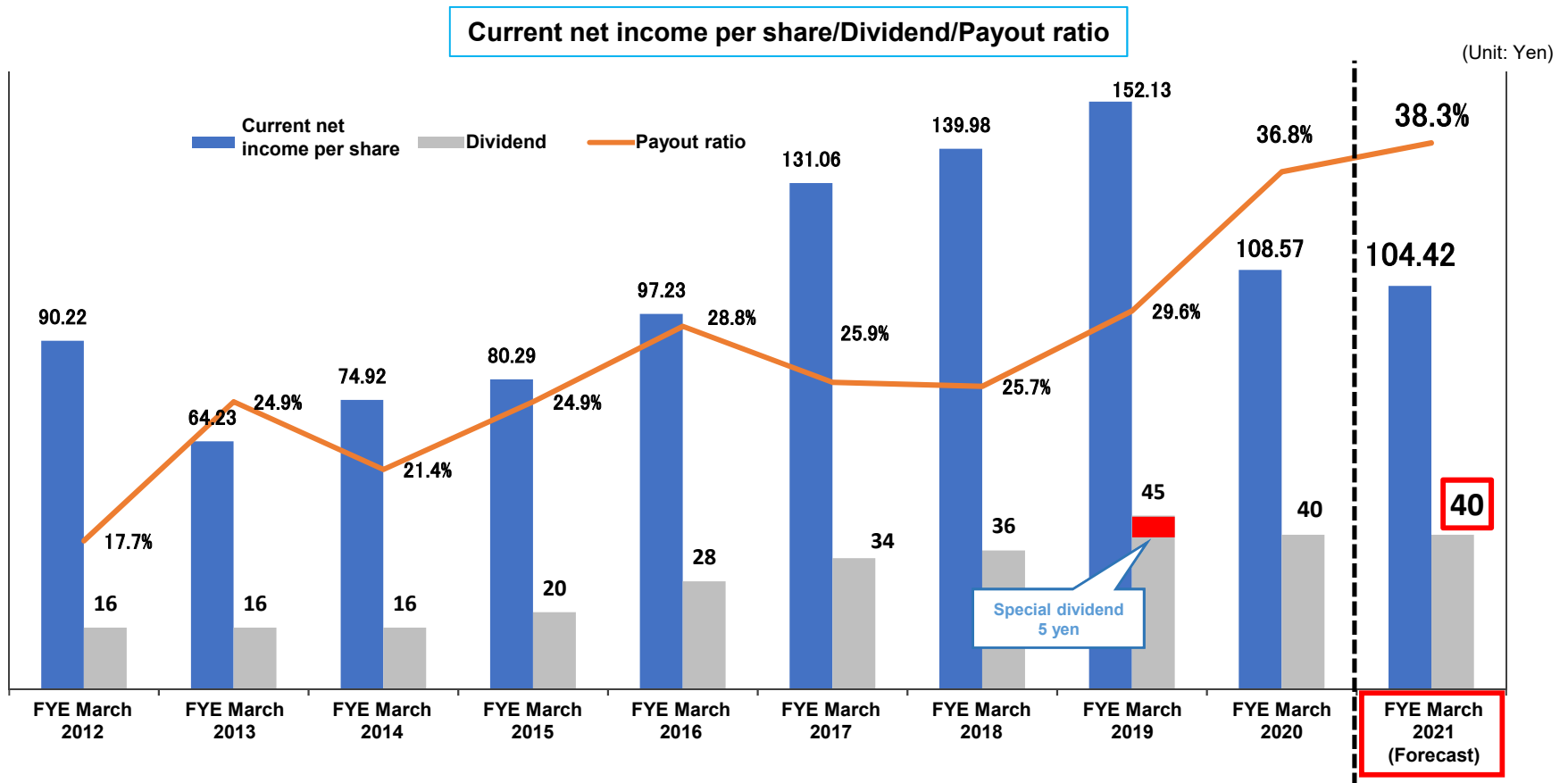
Research & Development Cost



Return to Shareholders

[Dividend Policy]

- Seeing the distribution of profits as an important management issue
- Our target dividend payout ratio has been set at 30% or more.
- We pay dividends taking into comprehensive consideration investments in plant & equipment, research & development and business expansion, shareholder return and other factors.



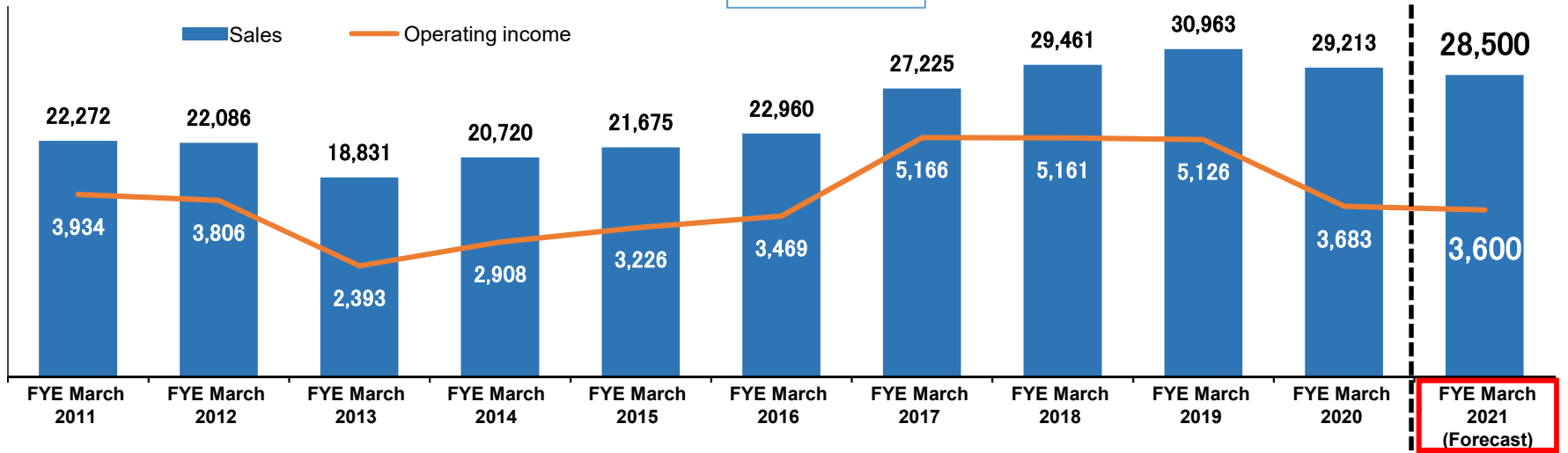


4. Reference Materials

Long-term Trends of Main Indexes

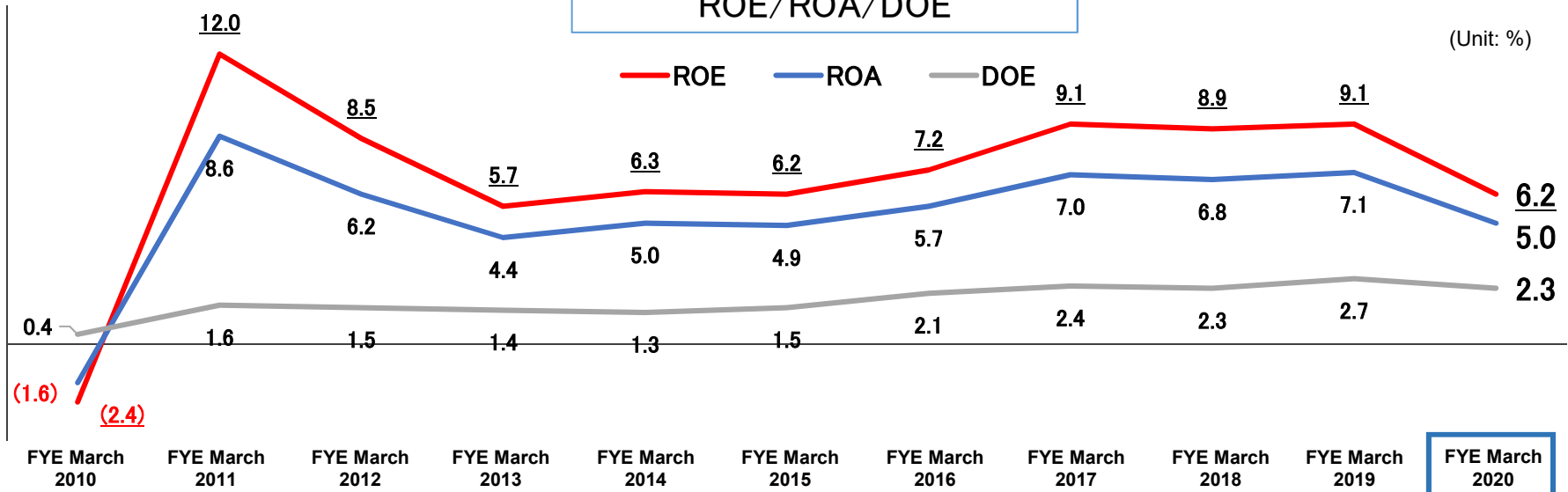
Sales

(Unit: Million Yen)






































ROE/ROA/DOE

(Unit: %)

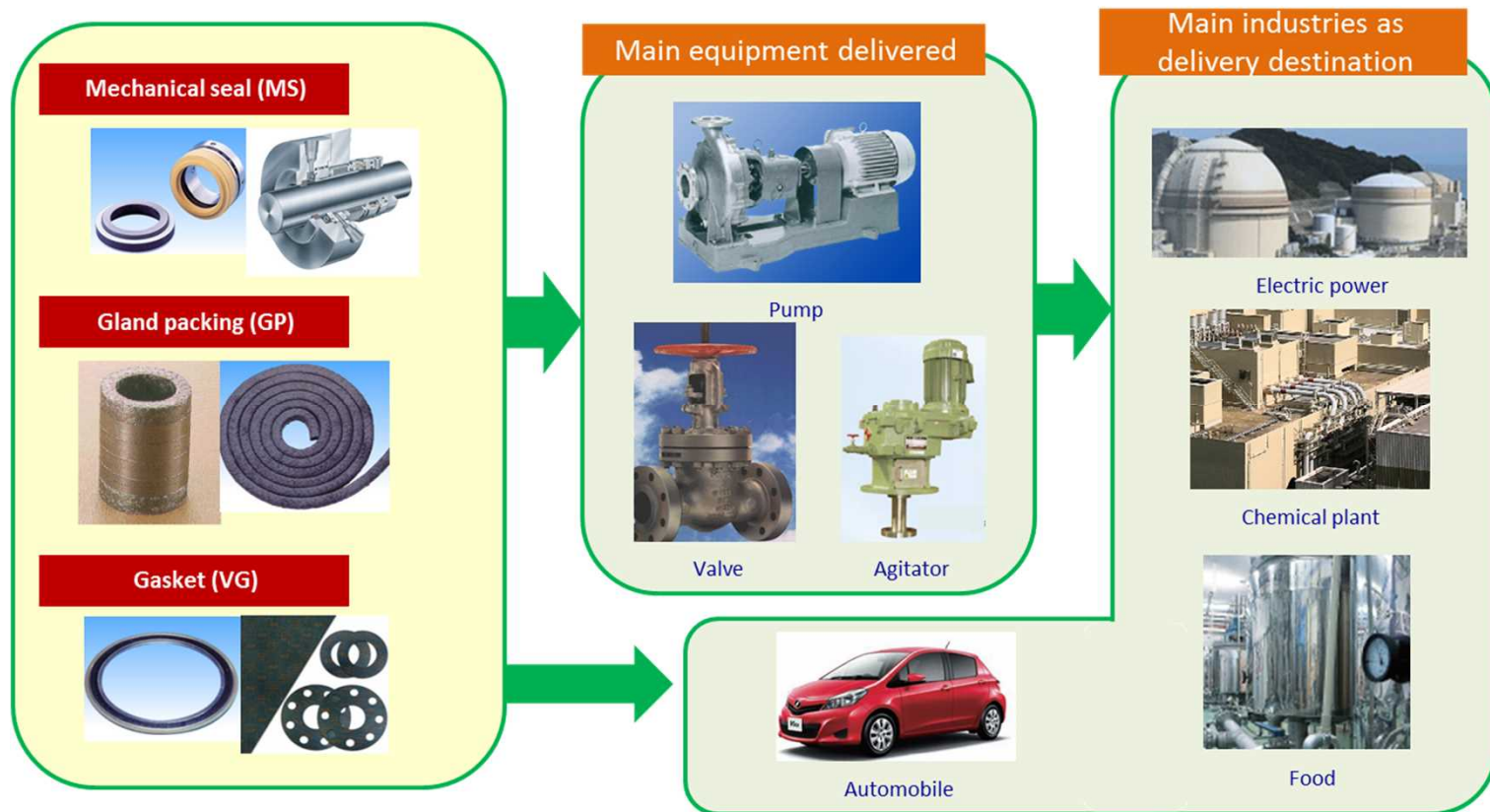


Outlook of Business Environment of Industries in Which We Are Involved

Industry	January-March 2020	April-June	July-September 2020	October-December	Economic Forecast	
Industrial machinery and machine tools		→ 	→ 	→ 	→ 	Although restrictions on sales activities amid the new coronavirus pandemic have been relaxed, Japanese, US and European companies are likely to continue to keep a wait-and-see attitude for capital investment. Despite the developing consensus in the industry that the economy will bottom out as early as this autumn, there is a lingering concern over the reignition of the US-China trade war.
Electronic parts and semiconductor		→ 	→ 	→ 	→ 	The electronic parts market will continue to suffer uncertain prospects since the trends in demand are unforeseeable. The market also signifies a sense of caution for the "second wave" risk of the new coronavirus pandemic. Inventory adjustments are expected to proceed in the semiconductor market. The focus is placed on whether 5G infrastructure investment can support demand.
Electric power		→ 	→ 	→ 	→ 	Price cuts amid sales competition between major electric power companies and PPS have been impairing their profitability. The economic stagnation caused by the new coronavirus pandemic will reduce electricity demand for corporations and the amount of electricity sales. The restart of nuclear reactors will not proceed as expected, and the industry will be put in an even more difficult situation.
Automobile		→ 	→ 	→ 	→ 	Factories were shut down and dealers were closed one after another for a while all over the world. Now they are heading toward normalization. Many automobile manufacturers are expected to recover gradually toward the end of FY2020, but some have anxiety about the outlook.
Plant and shipbuilding		→ 	→ 	→ 	→ 	Shipbuilding negotiations are recovering at home and abroad but are still at a low level. Ship prices continue to be low due mainly to the price offensives by Korean and Chinese shipbuilders. In the long run, however, demand for environmentally friendly vessels is expected. There is also a possibility that the number of profitable plant building projects will decrease.
Chemical		→ 	→ 	→ 	→ 	Market conditions are on a recovery trend as automobile production recovers and economic activity resumes. However, shipments will continue to face difficulty due to sluggish demand for carbon fiber for aircraft and chemical fiber for clothing.
Construction		→ 	→ 	→ 	→ 	Amid the economic slowdown caused by the new coronavirus pandemic, there is concern over restraints on private investment, which accounts for about 70% of domestic construction investment. The industry has adopted a wait-and-see attitude for new investment. Office demand is also stagnant with little good sign for the future.

* Source: Industries related to our company were extracted from the "Weather map of 30 main business categories (Industrial economic forecast from October to December)" of Nihon Keizai Shimbun (issued on October 5, 2020)

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.

Origin of our company name



The name of Nippon Pillar Packing is derived from the fact that “Pillar Packing No.1” developed as our first product to prevent in-vessel steam leakage from the engine.
This first product was pillar-shaped.

Establishment	1924
Representative	Yoshinobu Iwanami, CEO
Stock listing	First Section, Tokyo Stock Exchange (Securities code: 6490)
Capital	¥4,966 million
Description of business	Manufacture and sales of equipment products related to fluid control
Number of employees	809 (Consolidated: as of March 2020)
Sales	¥29,213 million (Consolidated: FYE March 2020)



The fluid leak prevention and control equipment manufacturer

NIPPON PILLAR PACKING CO., LTD.

(Contact)

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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.