

Message from the Deputy President

# Financial Strategy and Human Capital Strategy

Assessing demand and proactively investing in overseas operations and human capital  
Toward a business portfolio that generates higher profitability

Strengthening the foundation through proactive growth investments, as we continue to enhance our initiatives on sustainability and ESG, and evolve to become a company supported by our stakeholders.

Katsuhiko Shukunami  
Director, Deputy President



## Despite a Decline in Revenue and Profit due to Sluggish Performance in the Electronic Equipment-Related Business, the Industrial Equipment-Related Business Achieved Record-High Sales

In the second year of the Medium-Term Management Plan One2025, fiscal 2024 results unfortunately fell short of the planned sales and profits. Net sales were ¥57.9 billion, down 1.1% year on year, while operating profit was ¥11.3 billion, a 20.2% decline.

The primary factor behind the decline in sales was the weak performance of the electronic equipment segment. Although we anticipated a recovery in semiconductor market demand in the second half, it did not materialize as expected. Demand for semiconductor manufacturing equipment in Japan did rise, but the growth was driven mainly by back-end equipment related to generative AI, whereas demand for front-end manufacturing equipment, where we have strengths, remained sluggish. In addition, prolonged adjustments to product inventories that customers had built up in response to raw material shortages from 2021 to 2023 also contributed to slower orders.

Operating profit was further pressured by the heavy depreciation burden from the Fukuchiyama Factory No. 2 and the R&D Center at the Sanda Factory, both constructed in 2023, which raised fixed costs. Expenses related to the Company's 100th-anniversary events also played a part.

By contrast, the industrial equipment segment was driven by TANKEN SEAL SEIKO, which was integrated into the Group in 2023. TANKEN SEAL SEIKO achieved record sales and profits for the second consecutive year. Because we operate in the same industry, our investment decisions aligned well with business growth opportunities and were executed swiftly, producing these strong results.

Overseas sales for fiscal 2024 reached a record high of ¥17.2 billion. The overseas sales ratio of 29.7% was slightly below the previous peak of 31.1% in fiscal 2022, mainly because most of TANKEN SEAL SEIKO's sales are domestic. Excluding TANKEN SEAL SEIKO, however, the overseas sales ratio rises to about 33%, indicating real growth. Looking ahead, we will continue to monitor developments closely, particularly the impact of U.S. tariffs under the Trump administration, on overseas sales.

## No Expectation of a Rapid Semiconductor Market Recovery Building Future Profit Growth Through Highly Efficient Production Processes

For fiscal 2025, we anticipate that the recovery in semiconductor market demand will remain slow, and the outlook continues to be challenging. We recognize significant hurdles in achieving the targets of our ongoing Medium-Term Management Plan One2025. While much of this difficulty stems from market conditions, we have been steadily implementing the initiatives set forth in One2025. As a result, we are now positioned not only to increase sales but also to expand profits once semiconductor demand recovers.

In the electronic equipment segment, we have strengthened not only production capacity to keep pace with increased orders once demand rebounds but also advanced production efficiency. At the Fukuchiyama Factory No. 2, we have realized a highly efficient production process by minimizing manpower requirements. Processes such as cleaning, drying, and transport are automated as much as possible, and tasks like product picking, once requiring tens of workers, are now automated through barcode scanning. In the fourth quarter of fiscal 2024, the factory's operating rate remained around 60%,

yet it still secured an operating margin of 20%. As order volumes increase and utilization rises, we expect both sales and profits to grow substantially.

In the industrial equipment segment, we aim to expand sales of rotary joints, functional components for semiconductor manufacturing equipment, and increase our global market share. At the same time, we are focusing on product development for growth fields such as hydrogen, SAF (Sustainable Aviation Fuel), and natural gas: areas that support decarbonization and low-carbon energy. In addition, in Japan, where the declining labor force is driving greater outsourcing of plant maintenance and servicing, we plan to strengthen our maintenance and servicing business within our existing product areas.

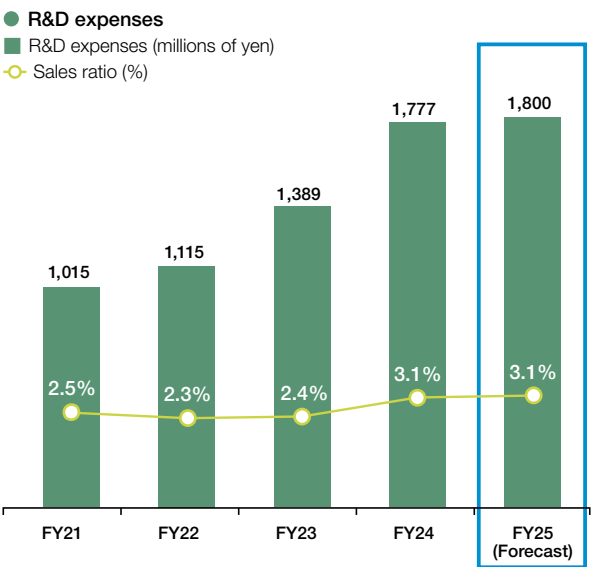
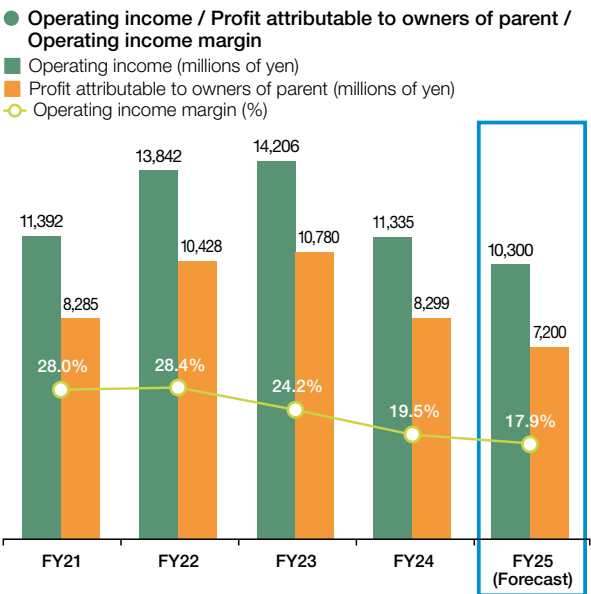
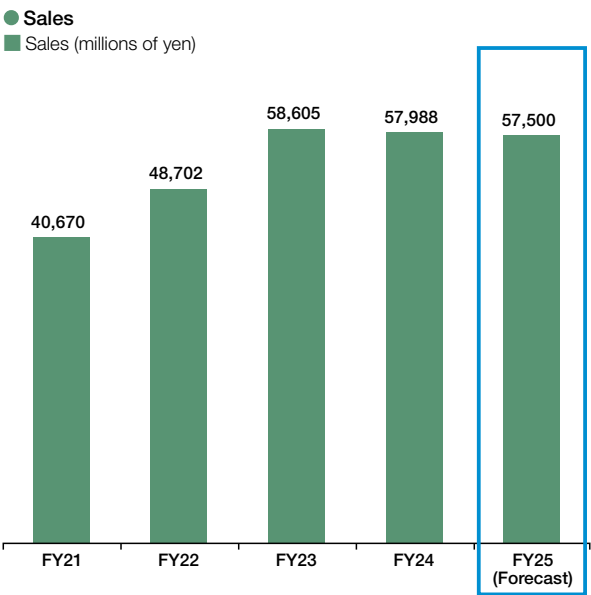
## Two Businesses with Growth Potential Expanding Segments While Reviewing Product Lines

Our two business segments, Electronic Equipment and Industrial Equipment, each have strong potential for further growth. While reviewing and refining the product lines where necessary, we aim to expand both segments.

In the next Medium-Term Management Plan, we are considering shifting from the current product-based project team structure to a segment-based team structure, with each team advancing discussions on the business portfolio. We are also planning to update our core system. With the introduction of the new system, we will be able to track costs and profitability by product in greater detail. This will enable us to allocate management resources more effectively to highly competitive areas, thereby driving sustainable business growth and improved profitability.

In the Electronic Equipment segment, we intend to strengthen products for the semiconductor market, which is expected to deliver further growth. In countries and regions where our market share is still limited, we will focus on concentrated sales expansion. In China, we are pursuing local production for local consumption, seeking to expand the market through both production and sales. In addition, we are exploring entry into back-end processes in semiconductor manufacturing as well as applications in other markets that demand clean environments, such as food, healthcare, and pharmaceuticals, by leveraging our strength in clean production.

For the Industrial Equipment segment, we will work to lift overseas sales, which still have significant room for growth. TANKEN SEAL SEIKO possesses mechanical seals that are highly acclaimed overseas. Leveraging our sales network and financial resources, we will aim to further our global expansion by exhibiting at international trade shows in locations such as Shanghai and Hong Kong. We will also focus on expanding overseas sales of rotary joints with the aim of capturing and expanding global market share. Against the backdrop of a paradigm shift driven by the move toward decarbonization, we



are also developing products for new markets such as hydrogen, SAF (Sustainable Aviation Fuel), EVs, and next-generation batteries.

One of our strengths lies in having developed advanced technologies while working with top-tier players in the world's leading-edge markets and addressing unprecedented challenges. We will continue to maintain our technological and product strengths to remain a trusted partner for our customers.

With the completion of the R&D Center at the Sanda Factory, around 200 engineers who had previously been spread across multiple sites are now working under one roof. Under the leadership of the responsible officer, regular meetings are held to encourage the exchange of ideas among engineers, fostering the creation of technological synergies.

From a business portfolio perspective, alongside expanding the two existing segments, we also view as critical the establishment of new businesses that can become the third and fourth pillars. We will continue to invest aggressively in R&D, prioritizing compatibility with our existing products and technologies while pursuing product development for markets such as food, healthcare, pharmaceuticals, hydrogen, SAF, EVs, and next-generation batteries, where we aim to build strong competitiveness. Our goal is to grow these into major product groups and ultimately form a third segment alongside Electronic Equipment and Industrial Equipment. We will also continue to consider M&A opportunities where appropriate, with the aim of buying time for R&D.

Building a Supply Chain That Is Completed Within China  
Commencement of Semiconductor-Related Production and Strengthening Sales

Going forward, we will place even greater emphasis on overseas business, focusing particularly on the Chinese market, which is expected to see substantial medium- to long-term growth. By investing in both production and sales, we aim to capture demand.

As part of our efforts to expand business partners, our local sales offices in Shanghai and Beijing are spearheading sales activities directed at Chinese semiconductor manufacturing equipment makers, which were unable to respond adequately during the resin shortage. We have concentrated resources by introducing KPIs, such as *weekly number of new company visits*, as well as dispatching sales and technical support staff from Japan.

Many Chinese semiconductor equipment makers continue to use U.S.-made rotary joints and pumps, and in light of current U.S.–China relations, there is a growing need to diversify purchasing sources and stabilize supply chains. We view this as a business opportunity. Although we face competition from domestic Chinese companies, we have been adopted as a standard supplier by the world's leading

equipment makers with top global market share. Leveraging our brand strength as a provider of indispensable high-quality products for cutting-edge semiconductor manufacturing, we are seeing strong results from our sales efforts. Looking ahead, we are considering further reinforcement of our sales structure, including expanding personnel.

On the production side, we are broadening the product lineup of semiconductor-related items manufactured at our Chuzhou Factory. We are also building a supply chain covering raw material procurement, production, and sales to meet market needs such as stable supply through local production for local consumption, thereby securing demand.

All of these initiatives are being advanced through dedicated projects, with the president himself taking direct command in progress meetings to address challenges across sales, technology, production, human resources, organization, and infrastructure, ensuring prompt and decisive action.

Creating Added Value Through Group Synergies and the Promotion of IT/DX

We are also working to further deepen synergies with TANKEN SEAL SEIKO, which has joined the Group. Since integration, we have pursued joint purchasing of raw materials and intra-Group procurement of sliding materials, critical components of mechanical seals. With our in-house production of SiC sliding materials and TANKEN SEAL SEIKO's in-house production of carbon sliding materials, mutual supply enables us to achieve full in-house production within the Group, thereby enhancing competitiveness. In addition to mechanical seal carbon materials, we are strengthening our carbon business by expanding production capacity for porous carbon products, TANKEN SEAL SEIKO's proprietary offering. To this end, we will invest ¥4.3 billion to construct a new plant.

In the IT/DX field, we are further strengthening our initiatives. The specialist unit established within the Technology Division in 2021 has since been elevated to a full department, expanding its role. We are also placing emphasis on the use of AI. Beyond improving efficiency, we aim to create new value, such as automatically generating the shortest and most optimal production plan after receiving an order. We are encouraging companywide improvement activities to proactively take up such themes.

Cash Allocation Prioritizes Growth Investment  
Implementation of Largest-Ever Share Buyback of ¥2.0 Billion

Our basic policy for cash allocation is to prioritize investments that contribute to the Company's growth. While we remain mindful of shareholder returns, we do not hesitate to make growth investments when justified.

Under the current Medium-Term Management Plan One2025, we set a target of ¥25.0 billion in growth investment over three years. Investments in fiscal 2023–2024 already reached that level,

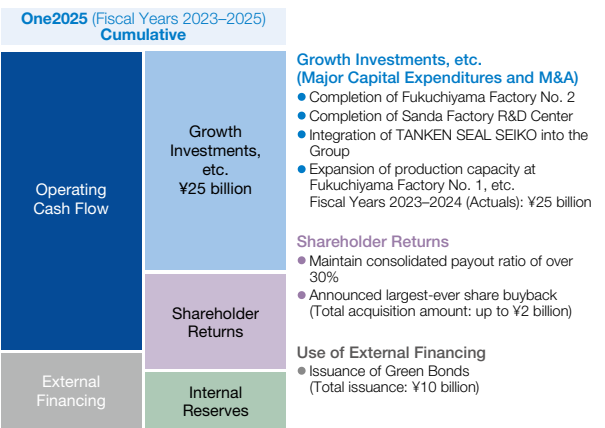
including the integration of TANKEN SEAL SEIKO, construction of the Fukuchiyama Factory No. 2 with the largest-ever investment of ¥11.0 billion, and construction of the R&D Center at the Sanda Factory. For fiscal 2025, we plan an additional ¥4.0 billion in investment, bringing the three-year total to more than ¥29.0 billion. These initiatives will serve as the foundation for our next stage of growth. Although fixed assets will increase, as the operating rates of newly constructed factories rise, profits will expand and corporate value will be created.

At the same time, shareholder returns remain an important priority. While monitoring levels of cash and deposits, we aim for balanced returns. At present, we target a dividend payout ratio of at least 30% as a stable and continuous dividend. However, we will reassess this target as we formulate the next Medium-Term Management Plan, taking into account changes in the external environment. New approaches such as DOE (Dividend on Equity Ratio), progressive dividends, and cumulative dividends are being discussed, and we aim to present a return policy, including KPIs, that will earn shareholder support.

In May 2025, we announced our largest-ever share buyback of ¥2.0 billion. This decision reflects our view that, having reached a pause in growth investments and with some surplus cash on hand, we should return value to shareholders. Going forward, we will continue to examine share buybacks flexibly, balancing them with growth investments.

Enhancing Information Disclosure to Gain Support for Our Initiatives and Improve ROE Through Both Profit Generation and Capital Efficiency

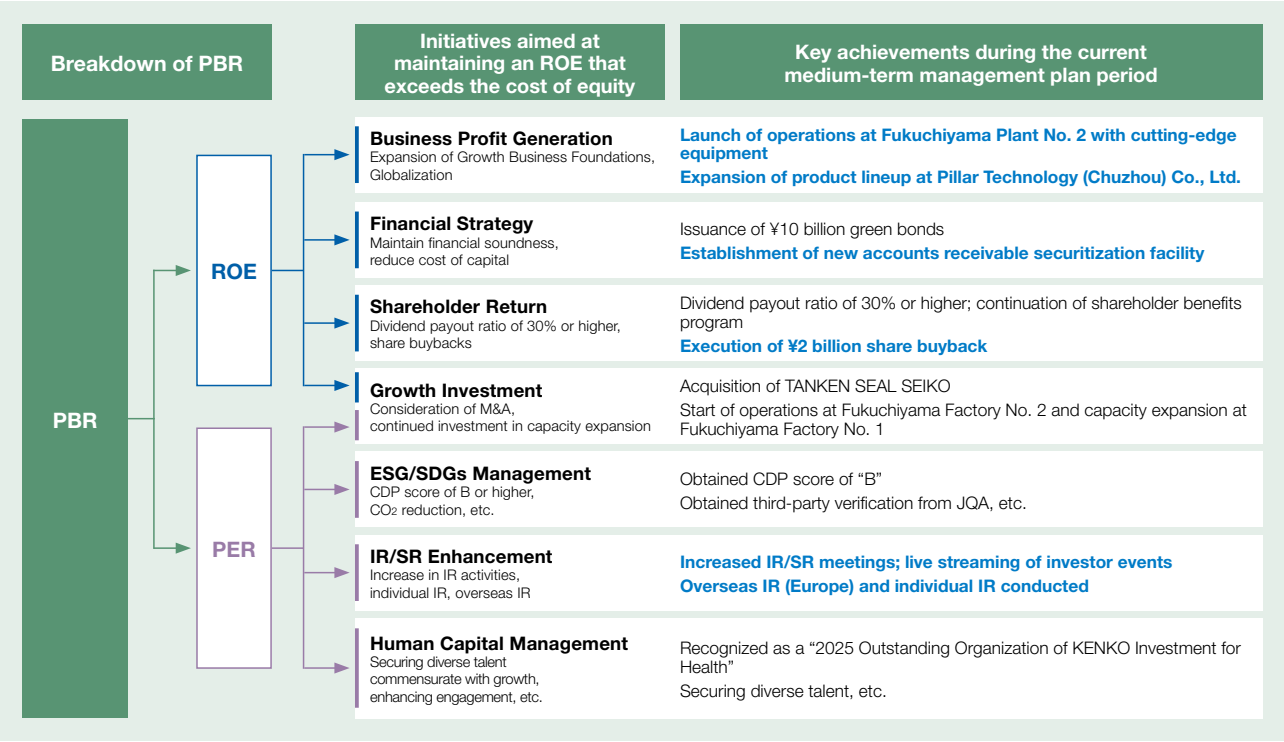
Although our PBR temporarily exceeded 2x in March 2024, it is

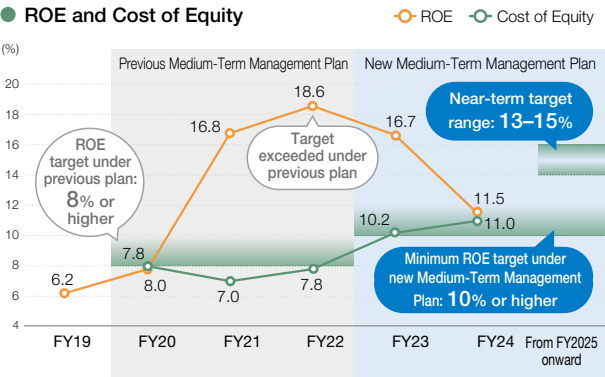


currently hovering around 1x due to declining performance and other factors. Our PER remains around 10x, which is low within the semiconductor industry, leaving considerable room for improvement. We recognize that insufficient information disclosure is a key issue in improving PER. By pursuing initiatives that earn understanding and support, and disclosing them thoroughly, we aim to achieve improvement.

To enhance corporate value, we recognize the importance of both improving ROE through further profit generation and controlling capital costs. ROE for fiscal year 2024 was 11.5%, a decline for the second consecutive year from the peak of 18.6% in fiscal 2022. While the outlook for fiscal 2025 remains challenging, we aim to restore operating profit and improve ROE through the launch of operations at the highly efficient Fukuchiyama Factory No. 2 and the expansion of product lines at the Chuzhou Factory.

In addition, a project to formulate the next Medium-Term Management Plan is underway. Whereas previous plans





covered a three-year period, we are considering shifting toward a longer-term horizon. Discussions are driven to ensure management that reflects shareholder and investor expectations regarding capital costs and stock price. In particular, we place emphasis on securing equity spread, calculated as ROE minus cost of equity, on a stable basis, and are working to strengthen our earning power.

Given the volatility characteristic of the semiconductor-related sector, we are pursuing thorough risk management and aim to control beta value by achieving stable growth in both our electronic equipment and industrial equipment segments, with the goal of earning the long-term support of our shareholders and investors. Our business structure is susceptible to the influence of major customers; however, stable earnings from the industrial equipment segment mitigate overall risk. Furthermore, there is room for improvement in the profitability of the electronic equipment segment, which is expected to contribute to enhanced overall earnings capacity.

Improving total asset turnover is also viewed as a key driver of ROE growth. By utilizing assets more efficiently and maximizing profits, we seek to raise the baseline of ROE. Looking ahead, we will continue to pursue sustained enhancement of corporate value through both profit generation and capital efficiency.

Emphasizing Dialogue with Shareholders and Investors, and Strengthening IR and SR Activities

To raise our visibility and broaden our shareholder and investor base, we regard dialogue with shareholders and investors as a key pillar of management and are actively pursuing this. In fiscal 2024, in addition to IR, we also held SR meetings. Through

exchanges of opinions on ESG-related topics, we received specific feedback on issues such as responses to TCFD and TNFD. These perspectives, which differ from those of conventional IR, have provided valuable input for measures we should take going forward.

For example, in dialogue with shareholders and investors, it was pointed out that our cash conversion cycle is long. In response, we established a new accounts receivable securitization facility in 2025. While it is not easy to shorten collection and payment cycles due to relationships with customers and suppliers, we considered what could be done to improve asset efficiency and decided to introduce the scheme. Similarly, our previously mentioned share buyback reflects investor feedback.

Our IR activities exceed 200 engagements annually, and we are working to increase recognition through live streaming of earnings briefings, small meetings, plant tours, and briefings for individual investors. In addition, our president conducted the Company's first overseas IR event in London, further expanding opportunities for global dialogue.

By incorporating investor feedback into management and clearly demonstrating our stance as a sustainable company, we aim to build long-term trust and support.

Actively Advancing ESG Initiatives with the Aim of Reducing Cost of Capital

We believe that initiatives in ESG support sustained growth and also contribute to lowering the cost of capital. ESG initiatives are an important factor leading to medium- to long-term investment, and to demonstrate that we are a "sustainable company," we are actively implementing measures.

On the environmental front, we are working on formulating a transition plan toward achieving net zero by 2050, obtaining third-party verification for CO<sub>2</sub> emissions and water withdrawals, responding to CDP, and addressing TNFD (Taskforce on Nature-related Financial Disclosures).

On the social front, we are placing particular emphasis on human rights. To ensure that global employees can report and seek consultation with peace of mind, we have multilingualized our internal reporting channels. Across the Group, we are building a framework for human rights due diligence, while also identifying and correcting issues.

These activities are promoted under a structure that includes

management, with reporting and review conducted by the ESG/SDGs Promotion Committee, chaired by the president, as well as the Board of Directors. Since fiscal 2021, ESG indicators have been incorporated into executive compensation, raising awareness across the Company as a whole.

Enhancing Competitiveness Through a Human Resource Strategy Aligned with Business Strategy

With respect to sustainability and ESG, what we place particular emphasis on is investment in human resources. We believe that without investment in people, the Company cannot sustain itself. By building a human resource portfolio aligned with our business portfolio, we aim to achieve sustained growth and strengthen competitiveness. We regard investment in human capital as a top priority on par with capital investment, and in particular, we are focusing on advancing diversity, a key issue for us, with an emphasis on strengthening the recruitment of non-Japanese personnel. As our global expansion progresses, accepting people with different cultures and values is essential for enhancing flexibility and diversity in our businesses. We are also actively working to create a comfortable working environment, taking into consideration religion and dietary practices, as well as exploring the use of satellite offices.

To ensure that this diverse talent base can thrive over the long term, we are currently developing a new personnel system. The aim is to transition to a framework in which those who take on challenges are fairly evaluated and can independently shape their own careers, thereby fostering an environment where ambitious individuals can flourish. Based on our business strategy, we have also clearly defined the qualities we seek in talent, and we conduct recruitment activities in line with those requirements. This alignment of corporate direction with individual growth strengthens unity and driving force across the organization.

On the development side, in addition to conventional tier-based training, we are systematizing the skills required in each division and formulating annual development plans. In collaboration with external specialist institutions, we support the acquisition of practical skills. Furthermore, we hold global meetings that bring together management, including the chairman and president, and leaders of overseas bases, thereby promoting a deeper understanding of corporate culture.

To advance human capital management, we are making use of engagement surveys and monthly monitoring questionnaires to continuously grasp employee awareness and satisfaction. Based on this data, we are working to improve systems and measures.

Going forward, through a human resource strategy integrated with business strategy, we will continue to strengthen the overall capabilities of the Company and open the way to a sustainable future.

Desired Human Resource Profile

- Individuals who take the Motto and PILLAR CORE VALUES as their guiding principles, who face difficulties and challenges head-on, and who see things through with persistence and integrity.
- Individuals who can identify their own role and that of their division in achieving ambitious goals, while fostering a sense of ownership, awareness of issues, and sense of urgency across the team.
- Individuals who, through their work, are able to hold lofty aspirations and dreams, who continue to grow with strong curiosity in all things, and who keep taking on new challenges without being bound by the past.
- Individuals who always keep their eyes on the future, clarify the tasks that must be addressed now, demonstrate leadership, and lead their teams to the goal (problem solving).

Supporting PILLAR's Sustainability Through Finance to Drive a Growth Strategy That Leverages People

Over the past three years, PILLAR has continued to grow while building the capacity to respond to robust demand. Looking ahead, we will continue to generate a virtuous cycle of business expansion and social contribution, aiming for an even higher stage of development. Recognizing that people are the source of growth, we are constructing a human resource strategy aligned with our business strategy and are actively investing in people through recruitment, development, and other initiatives.

To support these efforts, our financial strategy promotes capital efficiency and funding plans to execute growth strategies, with the goal of maximizing corporate value. We hope that our shareholders and investors will continue to share our vision and extend their support. Going forward, through candid dialogue, we will continue striving for better corporate management.

| Examples of Measures Adopted Based on Dialogue |                                                                                                                               |        |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------|
| IR/SR Enhancement                              | Renewal of earnings presentation materials; transition to live streaming of earnings briefings for institutional investors    | FY2024 |
| ESG                                            | Obtained third-party assurance of greenhouse gas emissions, etc.                                                              | FY2024 |
| Capital Strategy                               | Implemented ¥2.0 billion share buyback to enhance strategic capital policy and shareholder returns                            | FY2025 |
| Financial Strategy                             | Established new accounts receivable securitization facility to improve cash conversion cycle and enhance financial efficiency | FY2025 |

# Overview and Progress of the Medium-Term Management Plan

Based on our Medium-Term Management Plan One2025 (One Two Zero Two Five), which was formulated in April 2023, we are promoting business innovation and organizational transformation to further enhance corporate value.

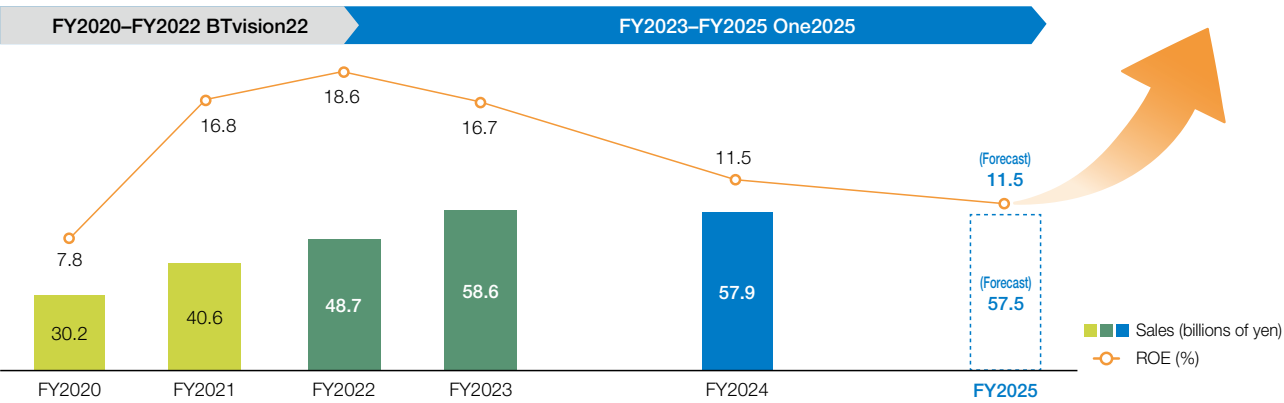


Please refer to the Company website for the four “Ones” that represent our basic philosophy



## Positioning of One2025

Under One2025, which marks the centennial of the Company's founding, our Group aims to further enhance its corporate value (defined as economic value × social value). We seek to create economic value as we contribute to the emergence of a sustainable society, while laying the foundations for our success in the next 100 years.



### FY2025 Targets (FY2024 Results)

| Sales                                  | Operating income                       | Operating income ratio | ROE                      | Payout ratio             | Growth investment                                           |
|----------------------------------------|----------------------------------------|------------------------|--------------------------|--------------------------|-------------------------------------------------------------|
| 57.5 billion yen<br>(57.9 billion yen) | 10.3 billion yen<br>(11.3 billion yen) | 17.9%<br>(19.5%)       | 10% or higher<br>(11.5%) | 30% or higher<br>(35.1%) | 4.0 billion yen<br>(Two-year cumulative:<br>25 billion yen) |

## One2025 Basic Policies (Company-wide)

In 2024, as we celebrate the 100th anniversary of our founding and while looking ahead to the next 100 years, based on the following five basic policies, we are promoting business innovation and organizational transformation that will further enhance corporate value.

|    |                                          |                                                                                                                                                                                                                                           |
|----|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01 | Evolvement of core businesses            | In addition to further strengthening of core business areas, further increase economic value to offer through growth achieved by the area expansion leveraging our core technologies and evolvement not subject to the market conditions. |
| 02 | Strengthening of global competitive edge | Develop highly unique fundamental technology and strengthen responsiveness to area characteristics, thereby expanding our global share.                                                                                                   |
| 03 | Creation of a new business foundation    | In the semiconductor market and growth markets such as hydrogen and ammonia, create a new business foundation with our unique technologies and through M&A and collaboration among industry, government, and academia.                    |
| 04 | Development of sustainable management    | Further develop sustainable management through investment in human resources and DX utilization that contributes to productivity improvement, as well as ESG measures.                                                                    |
| 05 | Financial strategies that support growth | Enhance cash flow generation capability and pursue financial strategies to drive investment in further growth aiming at a payout ratio of 30% or more.                                                                                    |

## Outline of Progress with One2025 Business Strategy

|    |                                          | Main priority targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Main achievements until second year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01 | Evolvement of core businesses            | <ul style="list-style-type: none"><li>● Augment production facilities to reliably respond to demand</li><li>● Expand market share based on our unique technological superiority</li><li>● Improve the generation of profits by strengthening peripheral services</li></ul>                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"><li>● Improved productivity by completing construction of our Fukuchiyama Factory No. 2 and operating an automated production line</li><li>● Began construction to increase the capacity of our Fukuchiyama Factory No. 1</li><li>● Promoted cross-selling and reciprocal procurement with TANKEN SEAL SEIKO</li><li>● The decision was made to construct the Ima Factory, with the goal of doubling production capacity for carbon materials</li><li>● Undertook the production and assessment of recycled materials, with the objective of stable product supplies</li></ul>                                                                                                                                                                                 |
| 02 | Strengthening of global competitive edge | <ul style="list-style-type: none"><li>● Improve access to overseas markets through core product development</li><li>● Invest in products that meet locally required specifications</li><li>● Strengthen our global supply chain</li></ul>                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"><li>● Promoted multiple measures with the aim of increasing our overseas sales ratio</li><li>● Increased the volume of items produced at Pillar Technology (Chuzhou) Co., Ltd.</li><li>● Opened our Beijing Office and expanded the scale of PILLAR Shanghai</li><li>● Conducted PR for the expansion of sales of carbon materials, with a focus on the Chinese market</li></ul>                                                                                                                                                                                                                                                                                                                                                                               |
| 03 | Creation of a new business foundation    | <ul style="list-style-type: none"><li>● Enhance the development of environmental contribution products</li><li>● Develop new markets with superior materials and technologies as a focal point</li><li>● Generate profits, for example, through modular products</li></ul>                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"><li>● Completed construction of the Sanda Factory R&amp;D Center and assembled a team of engineers</li><li>● Developed and launched to market our electric power monitoring sensor, and launched our maintenance support business</li><li>● Developed and launched to market authorized PFAS-free packings</li><li>● Continued to conduct customer tests of new products for the hydrogen and next-generation battery markets</li></ul>                                                                                                                                                                                                                                                                                                                        |
| 04 | Development of sustainable management    | <ul style="list-style-type: none"><li>● Achieve a ratio of female managers of at least 5%</li><li>● Achieve a ratio of male employees taking childcare leave of at least 75%</li><li>● Reduce Scope 1 and 2 CO<sub>2</sub> emissions by at least 25% compared to FY2023*1</li><li>● Acquire and maintain a CDP score of B or higher</li></ul> <p>*1 While incorporating the concept of a path to reduction based on scientific evidence (science-based target (SBT)), the reference year has been changed from FY2013 to FY2023.</p> | <ul style="list-style-type: none"><li>● Increased the ratio of female managers (first year: 3.3% → second year: 3.9%)</li><li>● Achieved a 75% ratio of male employees taking childcare leave</li><li>● Reestablished our human resources strategy, including policy, strategy, principal KPIs, and specific measures</li><li>● Reduced Scope 1 and 2 CO<sub>2</sub> emissions by approximately 40% compared to FY2023</li><li>● Continued to improve our CDP score (B- → B)</li><li>● Acquired third-party verification, for example, of greenhouse gas emissions</li><li>● Switched to environmentally friendly cleaning methods that do not use organic solvents</li><li>● Expanded TCFD disclosure and began our Taskforce on Nature-related Financial Disclosures (TNFD) response</li></ul> |
| 05 | Financial strategies that support growth | <ul style="list-style-type: none"><li>● Attain a payout ratio of at least 30%</li><li>● Promote financial strategy that leads to growth</li></ul>                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"><li>● Issued green bonds (10 billion yen)</li><li>● Acquired treasury stock</li><li>● Achieved and maintained a payout ratio of more than 30% (first year: 34.4% → second year: 35.1%)</li><li>● Set a new framework for liquidity of accounts receivable</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## Targets and Achievements of the Medium-Term Management Plan

Although both revenue and profits with the Industrial Equipment Business are forecast to increase in fiscal 2025, which is the final year of One2025, we have revised forecasts downward because market conditions for the Electronic Equipment Business have been slower to recover than anticipated when the plan was formulated. As a countermeasure going forward, in preparation for a recovery in the semiconductor market due to the popularization of DX, generative AI, and so on, we are steadily implementing measures to reliably capture

the recovery in demand, for example, by expanding production capacity and improving productivity at the newly established Fukuchiyama Factory No. 2, and by strengthening our manufacturing and sales structure in China.

Regarding ROE and payout ratio, we will promote initiatives for achieving our initial targets. Furthermore, although we have already achieved our targets for growth investment, we are planning 4,000 million yen of investment in fiscal 2025.

| Consolidated           |                               |                |                |                          |                         |                  |
|------------------------|-------------------------------|----------------|----------------|--------------------------|-------------------------|------------------|
| (Millions of yen)      | BTvision22                    | One2025        |                |                          |                         |                  |
|                        | ① FY2022 results              | FY2023 results | FY2024 results | ② Revised FY2025 targets | ③ Change (amount) (②-①) | Change (%) (③÷①) |
| Sales                  | 48,702                        | 58,605         | 57,988         | 57,500                   | 8,798                   | 18.1             |
| Operating income       | 13,842                        | 14,206         | 11,335         | 10,300                   | -3,542                  | -25.6            |
| Operating income ratio | 28.4%                         | 24.2%          | 19.5%          | 17.9%                    | -10.5 P                 | —                |
| ROE                    | 18.6%                         | 16.7%          | 11.5%          | 10% or higher *          | —                       | —                |
| Payout ratio           | 30.0%                         | 34.4%          | 35.1%          | 30% or higher            | —                       | —                |
| Growth investment      | (Three-year cumulative) 3,715 | 21,415         | 3,671          | 4,000                    | —                       | —                |

| By Segment                    |        |        |        |        |        |       |
|-------------------------------|--------|--------|--------|--------|--------|-------|
| Electronic Equipment Business |        |        |        |        |        |       |
| Sales                         | 36,819 | 40,475 | 39,034 | 36,800 | -19    | -0.1  |
| Operating income              | 11,759 | 11,255 | 8,810  | 7,300  | -4,459 | -37.9 |
| Industrial Equipment Business |        |        |        |        |        |       |
| Sales                         | 11,844 | 18,093 | 18,917 | 20,700 | 8,856  | 74.8  |
| Operating income              | 2,059  | 2,928  | 2,501  | 3,000  | 941    | 45.7  |

\* Although our target is 10% or more, at present, we are aiming for a level of 13–15% based on rising capital costs

Segment Overview

# Electronic Equipment Business

Driving sustainable growth amid an uncertain economic environment by strengthening our production system and developing new markets

By focusing on our Fukuchiyama Factory, which has succeeded in increasing its production volume and improving productivity, we are boosting our competitiveness by providing a consistent supply of high-quality products. Moreover, we are pursuing sustainable growth by seizing business opportunities in the Chinese market on the foundation of our strengthened production and sales systems.

Masaru Fujiwara

Managing Executive Officer  
Responsible for Production and Production Technology  
General Manager of Fukuchiyama Factory



## Business Overview

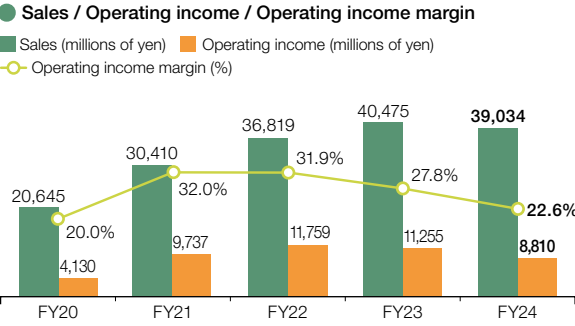
Our Electronic Equipment Business encompasses a wide range of products that take advantage of the beneficial properties of fluororesins, which include cleanliness and resistance to chemicals, heat, and abrasion. Our core products are leak-proof chemical piping components used in cleaning processes, which include fittings, tubes, pumps, and valves for the semiconductor market. Our products have been recognized as the de facto standard choice for semiconductor cleaning equipment. We support the production of the high-performance semiconductors that are essential for today's pivotal digital technological innovations, as typified by AI, IoT, and 5G; moreover, we believe our corporate social responsibility in the areas of product performance and

supply systems is significant. More recently, we have continued to expand our business into other areas by leveraging the advantageous properties of fluororesins. We offer a diverse range of products that include sliding bearings and slide supports used in seismic isolation devices for buildings and bridges; fluororesin substrates used in automobile collision prevention sensors; and power-monitoring sensors that contribute to energy efficiency by supporting the visualization of power consumption. We continue to contribute to society through these products, each of which helps to underpin our social infrastructure.

## Progress Report on “One2025,” Our Medium-Term Management Plan

In fiscal 2024, our sales revenue decreased 3.6% year-on-year to ¥39.0 billion, marking the first decrease in revenue since fiscal 2019. While we had anticipated a recovery in the second half of the year, orders were sluggish due to a lack of progress in reviving semiconductor demand for smartphones, PCs, and automotive applications. Moreover, the prolonged inventory adjustments of products held by our customers negatively affected performance. Operating profit totaled ¥8.8 billion, representing a significant year-on-year decrease of 21.7%. Despite efforts to reduce costs, we were unable to offset the increased burden of equipment depreciation at Fukuchiyama Factory No. 2 and other facilities due to reduced capacity utilization rates stemming from a decline in orders. During the period of our current medium-term management plan, we have strengthened our foundation in order to further improve our competitiveness, including investments at Fukuchiyama Factory No. 2 and the Chinese market. We expect profit margins to improve significantly if the capacity utilization rate of Fukuchiyama Factory No. 2,

known for its high productivity, rises in line with an increase in orders. Additionally, in an effort to capture new markets, we are developing differentiated products such as fluororesin alternatives and high-purity products, as well as products aimed at the new markets of healthcare and pharmaceuticals.



### Results for the Fiscal Year Ended March 31, 2025

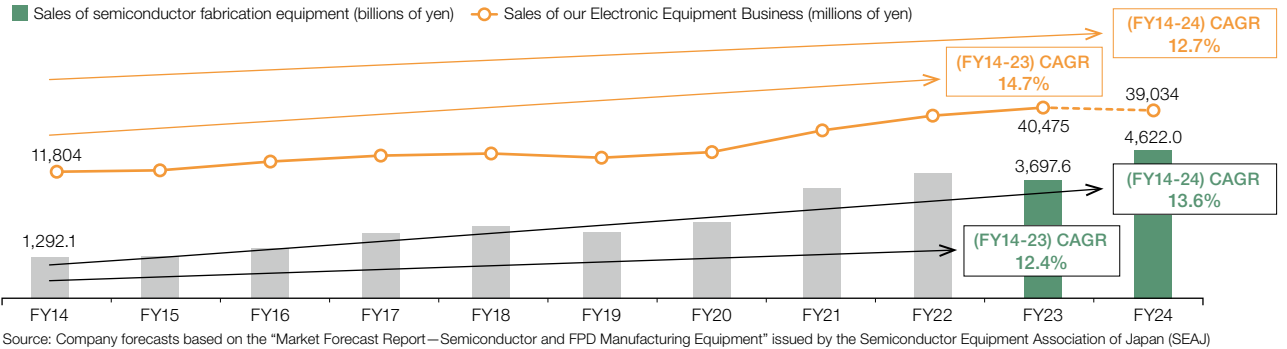
| Strengthening the foundation for further improving our competitiveness                                                                                                                                                                  | Strengthening existing markets and products                                                                                                                                                                                                                                                                                           | Developing new businesses                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Construction work to expand capacity at Fukuchiyama Factory No. 1 commenced.</li><li>Automated production lines at Fukuchiyama Factory No. 2 begin operation for improved productivity.</li></ul> | <ul style="list-style-type: none"><li>Pillar Technology (Chuzhou) Co., Ltd. further expands manufacturing of products for the semiconductor market.</li><li>China: New customers acquired in the semiconductor market.</li><li>Completed transition to environment-friendly cleaning methods employing no organic solvents.</li></ul> | <ul style="list-style-type: none"><li>Developed and introduced a power monitoring sensor and launched a maintenance support business.</li><li>Engaged in product development and public relations in preparation for entering the medical care and pharmaceutical markets and other new markets.</li></ul> |

## Outlook and Growth Strategy

We expect the business environment for fiscal 2025 to remain uncertain due to the impact of U.S. tariffs as well as the imposition of more stringent regulations. We therefore forecast a challenging environment for both sales and profit. On the other hand, we expect a recovery in demand for our core products, such as fittings and pumps, used in semiconductor manufacturing equipment and infrastructure; we also expect an increase in demand due to wider adoption of the digital transformation and generative AI. To ensure that we capture this demand, we established Fukuchiyama Factory No. 2 and expanded the capacity of Fukuchiyama Factory No. 1, thereby increasing production volume and improving productivity. Furthermore, as part of our business expansion

measures in the Chinese market, which is expected to experience significant growth, we are accelerating our efforts to expand the scope of our production and our sales centers with the aim of supporting local production for local consumption. Furthermore, we are working to achieve in-house recycling of fluororesins. Given the past difficulty in procuring fluororesins, we have introduced a new line of recycled materials with the aim of initiating in-house production and mass production. We also aim to establish a business model that accommodates the reuse of waste fluororesins both inside and outside the Company. With this business model, we are committed to creating an “eco-cycle” and contributing to SDG management among our customers and within our own company.

### Sales Trends in the Market for Semiconductor Fabrication Equipment and Sales Revenue of Our Main Business



### Future Action Plan

| Strengthening the foundation for further improving our competitiveness                                                                                                                                                                                | Strengthening existing markets and products                                                                                                                                                                                                                                                                                                                                         | Developing new businesses                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Continue developing fluororesin alternative products.</li><li>Evaluate, verify, and operate automated assembly and inspection equipment.</li><li>Establish in-house production of recycled materials.</li></ul> | <ul style="list-style-type: none"><li>Strengthen new customer development in the Chinese market.</li><li>Establish new cleaning methods and develop differentiated products offering higher levels of cleanliness.</li><li>Expand business with existing customers in Japan and internationally through measures such as expanded product lines and shortened lead times.</li></ul> | <ul style="list-style-type: none"><li>Continue developing fluororesin substrates for 5G base stations and data centers while exploring expansion into markets outside Japan.</li><li>Consider utilizing IT and the digital transformation to expand the packaging business.</li></ul> |

## TOPIC

### New Seismic Isolation System Under Joint Development Earns the Engineering Award of the Japan Society of Seismic Isolation.

We engaged in a joint project to develop the Triple Frictional Sliding Bearing (TSB), a multi-stage sliding bearing that integrates our own planar sliding bearing with a spherical sliding bearing produced by another company. This product is an innovative seismic isolation system offering the largest displacement available in Japan. It accommodates a maximum displacement more than twice that of conventional systems in order to accommodate the large amplitudes expected from a Nankai Trough

earthquake. The system was delivered to the Chitahanto Medical Center in Aichi Prefecture, our joint development partner, in 2023, before the medical center was completed in 2024 as a disaster response base hospital. Furthermore, in acknowledgment of this joint achievement, we were recognized with an Engineering Award at the 26th Award Presentations of the Japan Society of Seismic Isolation.



TSB Sliding Bearing



Chitahanto Medical Center



Segment Overview

# Industrial Equipment Business

## Addressing societal issues and accelerating sustainable growth through product evolution and entering new markets

We aim to contribute to the emergence of a decarbonized society while strengthening our competitiveness through innovative technology and market growth. Moreover, by expanding our collaboration with TANKEN SEAL SEIKO CO., LTD., we will accelerate our efforts to strengthen our product development capabilities and improve our profitability.

**Toyokazu Serita**  
Managing Executive Officer  
General Manager of Sales Headquarters



### Business Overview

Our Industrial Equipment Business provides sealing products such as gaskets, gland packings, and mechanical seals. These products are used to control a wide variety of fluids used in plants and equipment across a wide array of industrial sectors. These industries include energy production, oil refining, chemical processing, automaking, shipbuilding, the environment, water supply and sewerage facilities, medical care, and food processing.

Our sealing products demonstrate stable sealing performance even under harsh operating conditions typified by high temperatures, high pressures, and corrosive environments. They are used in critical equipment at petrochemical plants and power plants both in Japan and

around the world, their high quality and superior sealing performance contributing to the emergence of a cleaner and safer society.

We specialize in custom-designed and customized solutions, designing and offering the optimal sealing technology that only a comprehensive seal manufacturer can provide to address the challenges our customers are facing. These products clearly enhance the safety and efficiency of our customers' facility operations and support the stable operation of our social infrastructure. We are contributing to society through these products, each of which plays an important role in ensuring the safety and security of society.

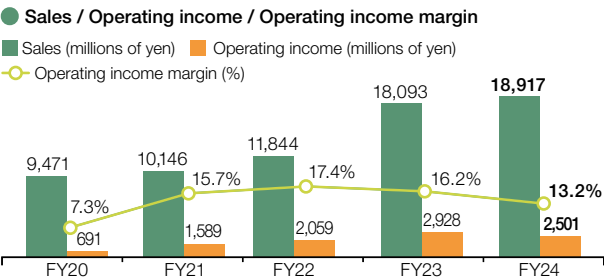
### Progress Report on “One2025,” Our Medium-Term Management Plan

Sales for fiscal 2024 are expected to reach 18.9 billion yen, up 4.6% from the previous year, marking our third consecutive year of record-high sales. This is primarily due to the strong performance of TANKEN SEAL SEIKO CO., LTD., which joined our Group in 2023, in addition to solid sales of replacement parts for the petroleum market.

Operating income totaled 2.5 billion yen, down 14.6% from the previous year. This was primarily due to a sluggish recovery in orders for rotary joints for chemical mechanical polishing (CMP) equipment, a highly profitable product segment.

Under our current medium-term management plan, we aim to capture and further expand our global market share for rotary joints for CMP equipment and win large-scale repair projects outside Japan for general mechanical seals. To leverage synergies with TANKEN SEAL SEIKO, our first step is to strengthen our profitable domestic

replacement parts and maintenance businesses. Additionally, we are focusing on the development of sealing materials for the clean energy market as part of our contribution to decarbonization initiatives.



#### ● Results for the Fiscal Year Ended March 31, 2025

| Strengthening the foundation for further improving our competitiveness                                                                                                                                                                                                                                                | Strengthening existing markets and products                                                                                                                                                                                                                                                                                                                          | Developing new businesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Promoted cross-selling and mutual procurement with TANKEN SEAL SEIKO CO., LTD.</li><li>Undertook a sweeping review of production processes and promoted efforts to reduce manufacturing costs.</li><li>Accelerated development by updating our technological systems.</li></ul> | <ul style="list-style-type: none"><li>Established a rotary joint production system at Pillar Technology (Chuzhou) Co., Ltd.</li><li>Completed prototypes and evaluations of IoT devices for monitoring the status of mechanical seals.</li><li>Introduced a public relations initiative to expand sales of porous carbon, primarily in the Chinese market.</li></ul> | <ul style="list-style-type: none"><li>Completed mass-production trials of mechanical seals equipped with IoT devices to enable monitoring of various conditions.</li><li>Developed and marketed a specific PFAS-free packing.</li><li>Continued to undertake market research for new products targeting the hydrogen and next-generation battery markets.</li><li>Developed a new eco-friendly packing that offers improved sealing performance by combining varied materials.</li></ul> |

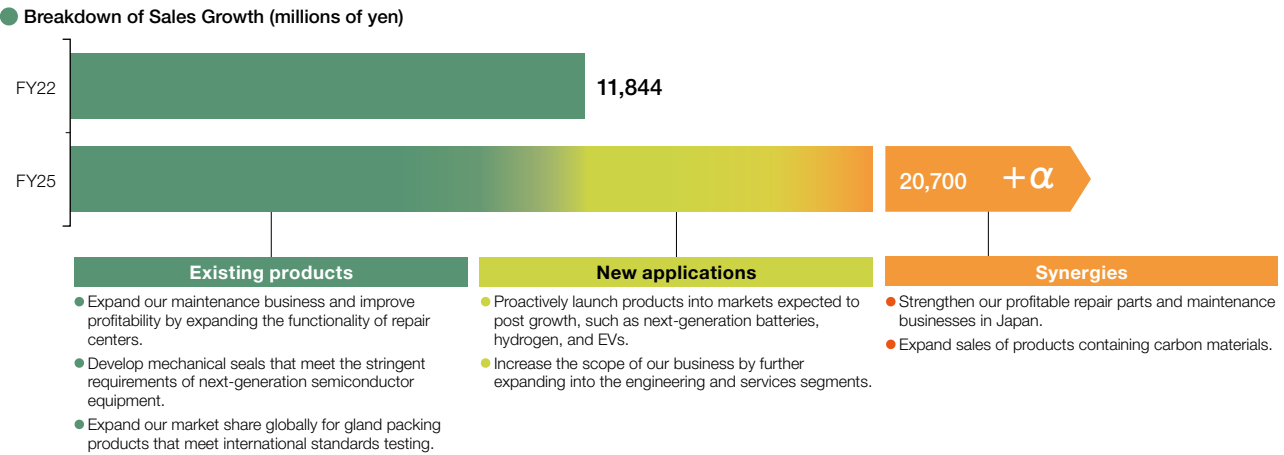
### Outlook and Growth Strategy

For fiscal 2025, we forecast increases in revenue and profit arising from a recovery in demand for rotary joints for semiconductor cleaning equipment, the acquisition of large repair projects outside Japan, and continued strong performance for TANKEN SEAL SEIKO. In particular, for rotary joints for CMP equipment, we are focusing on a variety of measures that include a strengthening of our sales promotion efforts for equipment manufacturers outside Japan and establishing a mass production system at Pillar Technology (Chuzhou) Co., Ltd. in China to expand our global market share.

Looking to TANKEN SEAL SEIKO, we will continue to take steps to strengthen the company. We will develop and expand sales of porous carbon pads and other distinctive carbon products and will establish a new factory to increase our production capacity for carbon materials.

We are continuing to focus on themes and initiatives related to collaboration in fields such as technology, sales, and production in order to take advantage of further synergies.

In terms of developing new markets and applications, we are working to expand sales in the clean energy market, which is attracting attention as a means of contributing to the emergence of a decarbonized society. Using our unique material development technology, we have been able to differentiate ourselves from our competitors by providing high-performance sealing products that contribute to enhanced environmental performance in the existing energy market. At the same time, we are also addressing new energy applications utilizing hydrogen, ammonia, and sustainable aviation fuel (SAF), thereby contributing to the health of the global environment.



#### ● Future Action Plan

| Strengthening the foundation for further improving our competitiveness                                                                                                                                                                                                                                                           | Strengthening existing markets and products                                                                                                                                                                                                                                                                                                                 | Developing new businesses                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>To focus on maximizing synergies with TANKEN SEAL SEIKO CO., LTD.</li><li>To further reform and streamline production processes by introducing automated equipment and systems</li><li>To further improve the functionality of technical systems in addition to automated design</li></ul> | <ul style="list-style-type: none"><li>To establish a rotary joint mass production system at Pillar Technology (Chuzhou) Co., Ltd.</li><li>To expand sales of porous carbon products in the Chinese market</li><li>To pursue globalization, focusing on expanding sales of environment-friendly packing in the European and North American markets</li></ul> | <ul style="list-style-type: none"><li>To introduce mechanical seals for IoT devices and launch status monitoring services</li><li>To research customer needs in the new energy market and propose solutions</li><li>To utilize injection molding technology to produce fittings for the hydrogen market</li></ul> |

### TOPIC

#### Construction of the New Ina Factory at TANKEN SEAL SEIKO

Since joining the PILLAR GROUP in 2023, TANKEN SEAL SEIKO has strived to expand its global sales channels and improve productivity with the aim of creating synergies. In addition to its mainstay sliding materials for seal products, the company is anticipating an increase in orders for carbon products in growing markets. Therefore, the company has decided to establish a new factory with the aim of doubling its carbon material production capacity in order to establish a stable production system commensurate with demand.

By undertaking the construction of this new factory, the company will advance carbon research and development as well as product manufacturing, thus contributing to the local community in Ina.



Ina Factory of TANKEN SEAL SEIKO  
(scheduled for completion in January 2027)

# R&D

With the evolution of our core technologies and the increasing sophistication of our fundamental technologies—all of which are focused on our key concepts of “Clean, Safety, and Frontier”—we are creating unique value by building on the digital transformation as we remain committed to our goal of “Creating a future that supports society.”

Masato Wada  
Director, Senior Executive Officer

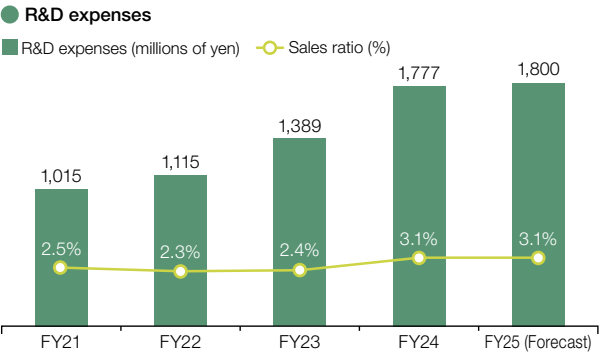


## PILLAR Corporation's Core Technologies and R&D Concepts

Since our founding, we have employed our fluid control technology and material development capabilities to explore previously unknown materials and conduct research and development of the latest technologies, thereby creating value and developing applications that reflect market trends and address societal issues. Our core technologies—which include sealing, material engineering, mechanical engineering, injection molding, analysis, and mold design—support the evolution of the core technologies of our Electronic Equipment Business and Industrial Equipment Business. The core technologies of our Electronic Equipment Business—which encompass resin sealing, fluororesin injection molding, microanalysis, and computer-aided engineering (CAE)—enable us to develop products for the semiconductor market, which demands very high levels of cleanliness. Additionally, the core technologies of our Industrial Equipment segment include tribology, material formulation, and CAE, which are used to develop products for the power and petrochemical markets.

All of these core technologies, which continue to evolve in each of our business segments, are fully shared through regular personnel rotations among these various businesses. By combining our core technologies and adopting the breakthroughs afforded by the digital

transformation, we are creating value and accelerating the evolution of these technologies while promoting a variety of initiatives. In order to respond to the rapid changes occurring in the world, we are appropriately reviewing our development portfolio to strike a balance between research and development and product development, even as we continue to acquire new technologies and strengthen our existing ones. In short, we are advancing technological development with a view to the short term as well as to the medium and long terms.



## Engineers assembled at the Sanda Factory's R&D Center

In October 2023, we completed construction of our R&D Center within the Sanda Factory; in November 2024, the technical departments responsible for producing our pumps and fittings in Fukuchiyama were relocated here, which has enabled our engineers to collaborate with greater ease.

This R&D Center is positioned as a hub for spurring innovation and strengthening our technological expertise through the combination and fusion of our proprietary technologies while enhancing collaboration among industry, government, and academia in the area of product development.

Some have commented that the consolidation of our engineers from our various businesses at the R&D Center has deepened their knowledge of our internal products and proprietary technologies while broadening their perspectives.

At the same time, this initiative has developed ideas and created

value through active communication among young engineers from other businesses and across departments through technical exchange meetings; expanded knowledge and created synergies through co-creation; and stimulated technical discussions with lecturers from universities and other companies.



## Collaborative Development with TANKEN SEAL SEIKO

As one of the synergies derived from the incorporation of TANKEN SEAL SEIKO's technologies, we are promoting collaborative innovation and are developing highly functional new products that fuse the strengths of both companies in the form of carbon technology and non-contact sealing technology.

PILLAR's forte, non-contact sealing technology, is employed to create a fluid film when gas is supplied. This provides high sealing performance despite the non-contact nature of the seal and is therefore widely used in compressors and cleanrooms where preventing contamination with wear particles is a priority. However, with the expansion of the carbon-neutral product market in recent years, the need to accommodate even higher load conditions and reduce the amount of gas supplied have become significant challenges.

To help overcome these market challenges, we are leveraging TANKEN SEAL SEIKO's strengths in carbon technology to incorporate porous carbon—which forms a thin, uniform, and stable fluid film—into our seal designs to develop products that can withstand loads that are 1.5 times higher than conventional conditions, thus reducing the gas supply volume by 90%. Furthermore, through the fusion of our respective technologies, we are expanding our support for liquid supply for compressors, where purity concerns due to gas contamination have arisen, thereby contributing to great energy efficiency through enhanced sealing technology for the greater benefit of society.

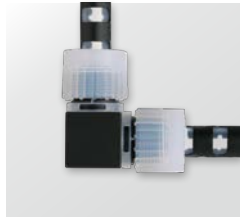


Porous Carbon

## Efforts Aimed at the Semiconductor Market

In recent years, the increasing miniaturization and throughput of semiconductors have expanded the need for higher-purity chemicals used in cleaning processes as well as finer filter pore diameters. As a result, problems such as fluid electrostatic charging, part damage, and wafer defects are becoming more apparent, and demands for static elimination from charged fluids continue to grow. In order to bring new value to the market through the expertise and technology we have cultivated over many years in the market for fluororesin materials, we have developed S300 conductive fittings that incorporate a fluororesin material blended with special fillers.

Our conductive fittings benefit from our in-house trace analysis technology to achieve a balance between cleanliness and excellent conductivity. This innovation helps to reduce the risk of production loss due to malfunctions in our customers' manufacturing equipment while contributing to a clean and safe production environment.



Conductive fittings

## Initiatives Supporting the Market for Carbon-Neutral Products

As the shift toward a decarbonized society progresses and a variety of related initiatives are being implemented around the world, we are developing products incorporating our accumulated expertise in technologies focused on materials, fluid control, and resin molding. As we develop products for the hydrogen market, which is expected to serve as a next-generation energy source, we are constructing the necessary evaluation facilities. In so doing, we have introduced test facilities and analytical equipment capable of conducting evaluations in a hydrogen atmosphere. Moreover, we are working to elucidate tribochemical reactions in sliding parts, an initiative that holds the

promise of creating value in this market.

Additionally, we are advancing the development of products for electrolysis systems that produce green hydrogen without emitting CO<sub>2</sub> during the manufacturing process. We are also focused on products for EVs and FCVs, thereby contributing to the emergence of a society committed to carbon neutrality.



Equipment for testing friction and wear in a hydrogen atmosphere

## TOPIC

### Development of the EcoMA Power Monitoring Sensor

One aspect of our fluororesin processing technology operations is our fluororesin printed circuit board materials business. As one application of this material, we have developed a power monitoring sensor capable of withstanding harsh environments thanks to the innate heat resistance and weather resistance of fluororesins. A notable feature of this device is its ease of installation: it can be installed without turning off the power supply simply by attaching the included voltage and current probes to the power lines in the distribution panel. Because it incorporates the Sigfox wireless standard, power data can be instantly stored in the cloud simply by turning on the power.

Power consumption data can also be visualized through a dedicated web application server, allowing users to view graphs of power consumption over a day, a week, or other predetermined period, thus enabling easy comparison of the data with records from other devices or across different periods.

As demand for energy-efficient equipment increases in the quest for carbon neutrality, we hope to take on the challenge of creating a service-based business model that provides energy-saving solutions through the visualization of power consumption.



# DX Strategy, Quality Assurance, and Intellectual Property Strategy

The PILLAR GROUP promotes strategy that involves IT, DX, quality assurance, and intellectual property, creating value that enables us to contribute to the realization of a sustainable society through our innovative technologies.

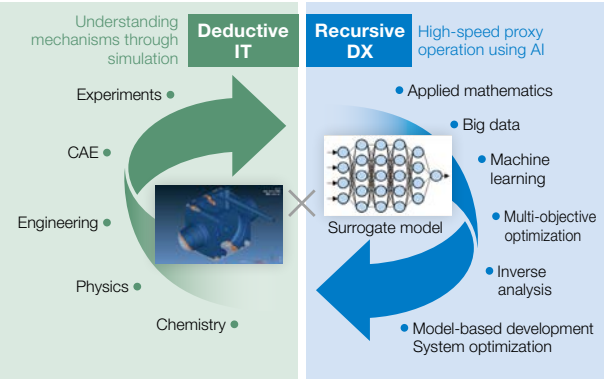
## PILLAR's Concept of IT and DX

In order to generate innovative products, technologies, and services, in 2021, we established a new full-time group to begin the full-scale introduction of IT and DX. This group was upgraded as the IT & DX Development Department in April 2024, when we created a structure that further accelerates the company-wide introduction of IT and DX. As a bridge that links all operational divisions, the department aims to have IT and DX take root in the workplace by collaborating with those divisions.

Value creation that directly links with product development is a prerequisite for IT and DX in the PILLAR GROUP. IT is a deductive approach typified by engineering simulation, while DX is a recursive approach based on utilizing data. By creating a fusion of the two, we are realizing so-called 'front loading,' which is a design and development process that makes reworking less likely.

When developing new products, we are advancing reforms to a research and development process that uses model-based development, while endeavoring to achieve lower costs, better performance, and the creation of intellectual property. In a production

context, we are taking advantage of AI to eliminate individualization and promote labor-saving, and advancing a wide range of initiatives such as the automated design of molded products, the auto-tuning of molding machines, and automated quality assessment.



## DX Human Resources Development

The PILLAR GROUP is developing DX human resources through real-life business practices such as developing new products and utilizing AI in production contexts. Based on the core technologies in which they specialize, all employees are learning new IT and DX skills out of necessity. They get a real sense of growing these technical skills whenever they overcome a challenge in the workplace, and accumulating results on a monthly and even weekly basis naturally fosters confidence and an attitude of enjoying challenges.

With a view to developing human resources with high levels of expertise in IT and DX, we aim to enhance their knowledge by collaborating with specialist departments and external experts. We also continue to send employees to specialized universities.



### Interview

**Yoshiki Fujita** Mechanical Seal Development Group, 2nd Engineering Dept.

Right now, I am engaged in the development of new mechanical seal products and technologies. I studied at the Shiga University Graduate School of Data Science in order make development and design work from the use and application of data more efficient and sophisticated, and to promote technological development that supports customer DX. Being allowed to study at graduate school was a valuable opportunity that enabled me to learn many things, from fundamental theories in fields relating to data analytics—for example, statistical and image analysis—to methods adaptable to business practice, such as decision-making

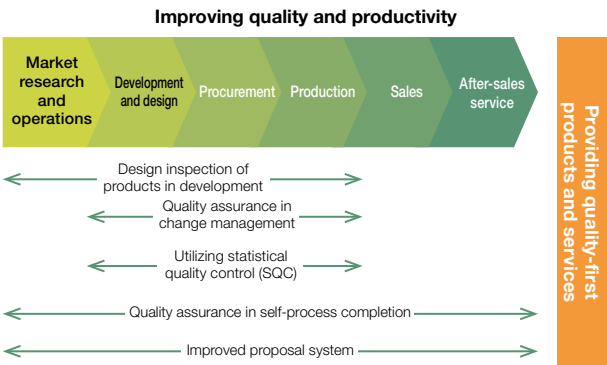
support based on data analytics and value generation using actual data. I am currently using the knowledge that I acquired to work on the generation of new solutions for predicting faults in mechanical seals, which are key components in the rotating equipment that helps support societal infrastructure. In the future, my goal is to deliver products and services that can meet customer expectations.



## Our Approach to Quality

When it comes to acquiring and maintaining the trust of our customers, the PILLAR GROUP recognizes that securing product quality is one of the issues to which we must give the highest priority. Based on our ISO 9001 quality management system, we will cater to the quality and standards required by each country and industry, while implementing the plan-do-check-act (PDCA) cycle in our quality control activities.

In order to realize the quality demanded at every stage from product development to design, production, sales, and after-sales service, all our internal quality assurance bodies cooperate with each other in unison, with the aim of delivering quality that meets the requirements of the times, and based on our Motto of "Quality First."



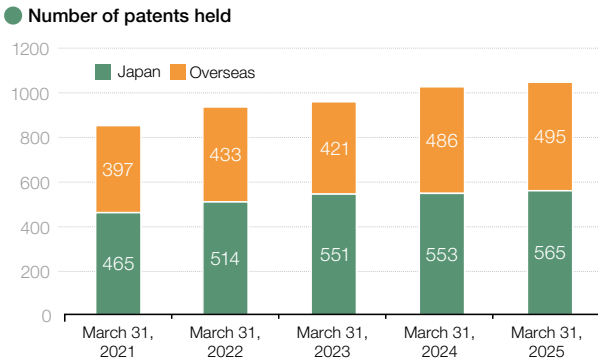
### Quality Policy

- «Fundamental Policy»**  
In accordance with mentality of "Quality First," which is one of the three promises in our Motto, the PILLAR GROUP will contribute to the creation of a better society by providing the high-quality products and services that customers expect.
- (1) Customer-Focused Approach**  
PILLAR achieves customer satisfaction through everyone in the organization behaving as professionals with integrity and high ethical standards, and by continually providing superior, stable quality.
- (2) Quality Assurance Through Self-Process Completion**  
PILLAR promotes activities that ensure quality across all business processes by completing the required quality in each of those processes.
- (3) Global Quality**  
PILLAR establishes systems to provide quality that is appropriate for complying with the various requirements of the global market.
- (4) Continuous Improvement**  
PILLAR sets quality targets and indicators for improving quality, and achieves continuous improvement through an accumulation of remedial measures, innovations, and reforms.
- (5) Communication with Stakeholders**  
PILLAR discloses information regarding its product quality in a timely and appropriate manner, and responds to the expectations of its stakeholders.

## Intellectual Property Activities

The PILLAR GROUP places importance on value creation through technological innovation, and we are working to safeguard and utilize intellectual property. Starting at the Sanda Factory R&D Center, we are promoting technological development and endeavoring to provide customers with added value. We are also appropriately protecting the intellectual property that arises from the creation of new technologies and products in our Electronic Equipment and Industrial Equipment businesses.

Furthermore, we regard intellectual property activities as fundamental to the undertaking of sound business practice, and our Group Code of Conduct focuses on acquiring the Group's intellectual property rights and respecting the intellectual property rights of other companies. It also clarifies our stance of not unfairly violating those rights or imitating those companies' products or services, and aims to increase employee awareness.



## Intellectual Property Education for Employees

The PILLAR GROUP conducts training on an ongoing basis, inviting experts such as external patent attorneys and speakers who work for the Company in the field of intellectual property. This training enables developers and engineers to deepen their understanding of intellectual property and utilize that knowledge in their work. A wide range of content based on business practice is featured in the training, including the fundamentals of intellectual property, an overview of the patent system, and surveys.

Through workshops aimed at management and conducted by

renowned external lecturers active at the forefront of the field, we are also implementing company-wide initiatives to promote the utilization of intellectual property. Among other things, the aim of these workshops is to share expertise relating to intellectual property strategy.

Moreover, by internally and appropriately managing and sharing materials relating to intellectual property information and procedures, we are establishing an environment that allows developers and engineers to quickly and accurately access the information they need.

# Global Strategy

The PILLAR GROUP has 16 overseas bases in 11 countries, for example, in the United States, the Middle East, Europe, and Asia, including in China.

Expanding our business activities overseas is one of the key strategies in our Medium-Term Management Plan One2025, and by developing products that leverage our highly original fundamental technologies in line with the characteristics of each region, we aim to strengthen our competitiveness in global markets and increase our product market share. By reacting flexibly with an awareness of changes to the global business environment, we are carefully coordinating with our overseas bases and promoting greater responsiveness in order to swiftly address market changes from various perspectives, for example, the expansion of business domains and reexamination of the supply chain. The Group is working in unison to advance initiatives relating to various challenges that include addressing the shift of the supply chain to Southeast Asia by major semiconductor manufacturers, measures to combat additional tariffs from the United States, and market growth in countries such as India.

## Overview of Market Strategy in China

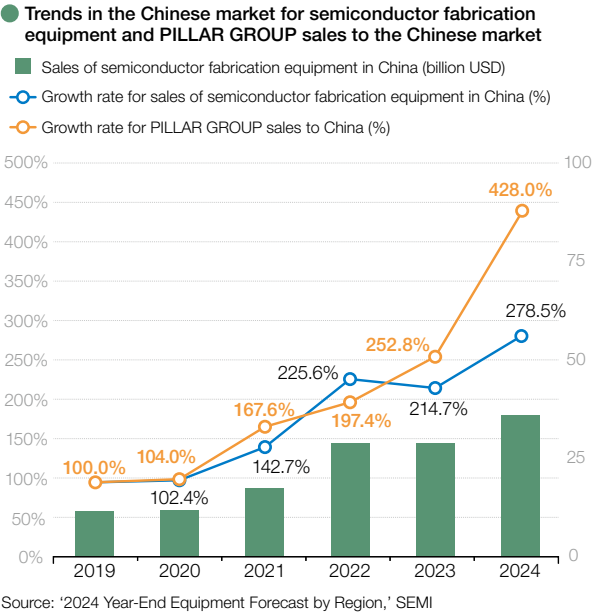
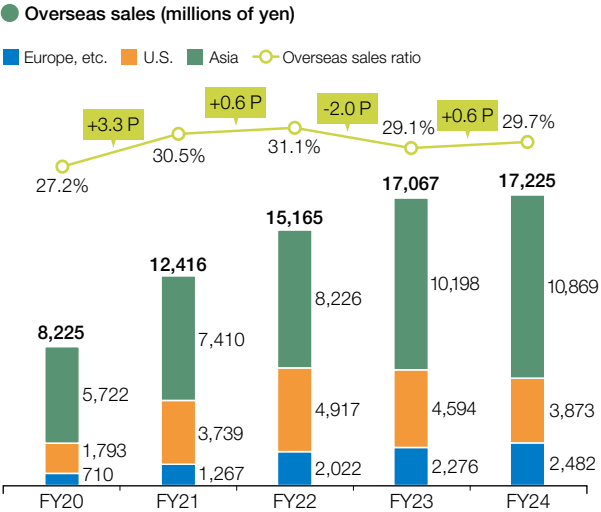
At present, we are particularly focused on the Chinese market. Due to long-term antagonism between the United States and China, the Chinese government is hastening the development of its own semiconductor supply chain, and has declared its intention to reinforce domestic semiconductor production capacity. There are ongoing plans to build multiple semiconductor factories, so the PILLAR GROUP, which supplies the high-performance connectors and tubes that are essential for manufacturing semiconductors, regards this as a significant business opportunity.

Both directly and indirectly, PILLAR's products are utilized in China by numerous manufacturers of devices and semiconductor fabrication equipment. With the aim of expanding our share of the Chinese market, in which further growth can be anticipated, we will build a system that responds to local needs by strengthening our manufacturing and sales structure and evolving local production and consumption.

## Outlook (Challenges and Prospects)

In our Electronic Equipment Business, we are expanding the range of products that we produce, particularly for the semiconductor market. We are also endeavoring to increase customer satisfaction by completing our supply chain in China, which involves everything from procuring materials to manufacturing and sales.

In our Industrial Equipment Business, we have added TANKEN SEAL SEIKO products to PILLAR GROUP sales channels, thereby expanding sales in the Chinese market. Furthermore, we are introducing rotary joints for chemical mechanical polishing (CMP) equipment to CMP manufacturers in China, with the aim of increasing sales.



## Broadening the Range of Products Produced at Pillar Technology (Chuzhou) Co., Ltd.

Our creation of a full-scale production system in China dates back to 2003, when Suzhou Pillar Industry Co., Ltd. (now Pillar Technology (Chuzhou) Co., Ltd.) was established in Suzhou, Jiangsu Province.

This began with the manufacture of gland packings and mechanical seals, and since then, we have expanded the scale of production as sales in the Chinese market have increased.

In order to further increase our market share, in May 2021 we established Pillar Technology (Chuzhou) Co., Ltd. in Chuzhou, Anhui Province, where we started manufacturing products for the semiconductor market.

While continuing to expand the range of products that are produced at this factory, we have newly begun to produce connectors and rotary joints for CMP equipment, and we are making progress with local production and consumption.



Super 300 Type PILLAR Fitting

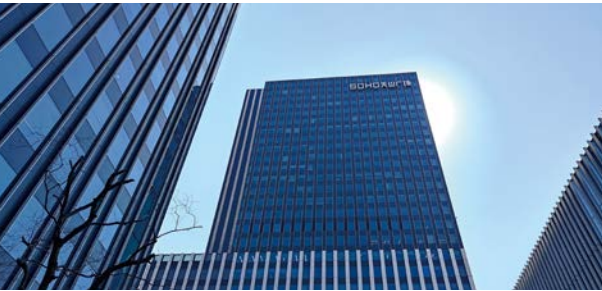


Rotary joints

## Strengthening Sales at PILLAR Shanghai Co., Ltd. and its Beijing Office

In 2007, we established Shanghai Pillar Trading Co., Ltd. (now PILLAR Shanghai Co., Ltd.) in China. Then in July 2023, we also opened an office in Beijing. At present, our sales activities are undertaken based on this two-location structure. In February 2025, the Shanghai base was relocated due to an increase in the number of personnel, and the office itself was enlarged. We are also reviewing our organizational structure to further increase sales, and our goal is to promote greater operational efficiency.

The market in China is significant for the PILLAR GROUP in both the electronic equipment and industrial equipment segments, so we are considering the possibility of prioritizing investment there in future.



The new Shanghai office

## TOPIC

### Training in Japan for Local Staff from Overseas Bases

As we aim to increase our share of the global market, we believe that developing global human resources that include local staff members is an essential issue. As such, we are conducting training at our bases in Japan to improve engagement with local staff from overseas locations.

During an itinerary that lasted four nights and five days from October 28 to November 1 in fiscal 2024, seven staff members who are employed at locations in China and Taiwan visited Japan to participate in training at three locations: our Head Office, Sanda Factory, and Fukuchiyama Factory. The objectives of this training included more widespread understanding of our corporate principles, learning about standards of conduct, acquiring product knowledge, practicing product assembly, and building relationships with related departments.

The training was an opportunity that enabled PILLAR to directly convey to local staff its level of commitment to overseas businesses. There was also a real sense that the training boosted motivation and engagement, for example, when fellow participants exchanged their views about improving day-to-day operations while they were eating dinner together.

We will continue to position the development of human

resources as a key management issue, and to work on strengthening cooperation with overseas bases and supporting employees' growth.



A product explanation in the exhibition room (Fukuchiyama Factory)

# Sustainability Strategy

We are strengthening our initiatives to contribute to a sustainable society through our business and to realize sustained improvement in corporate value. We believe that for the PILLAR GROUP, working on sustainability strengthens value creation, growth, human resources, and risk management, as well as linking with societal benefits such as environmental conservation, community coexistence, and solving social problems.

Sustainability Policy

In accordance with the Corporate Principles and PILLAR CORE VALUES of the PILLAR GROUP, we will contribute to the realization of a society committed to sustainability through our business and achieve sustainable enhancement of corporate value.

**(1) Contribution to the global environment through business**

We will contribute to the creation of a flourishing global environment by being a source of innovative, high-quality products for society. We will also strive to reduce emissions of substances with environmental impacts in the course of business activities.

**(2) Responsibility and contribution to society**

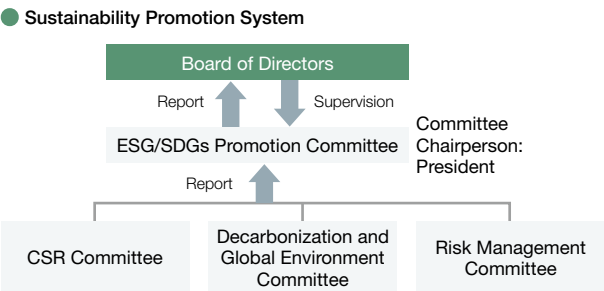
As a corporate citizen, we will contribute to the resolution of social issues. We will also aim to be an enterprise that continues to earn trust through dialogue with all stakeholders.

**(3) Strengthening of corporate governance**

We will establish a robust corporate governance system to ensure compliance with the Group Code of Conduct and laws and regulations as the starting point of our business activities and to promote sound and transparent management.

## Sustainability Promotion System

Basic policy and important matters related to sustainability are determined by the ESG/SDGs Promotion Committee, which is a decision-making body for social issues being tackled by the Company and is chaired by the President. The ESG/SDGs Promotion Committee regularly reports to the Board of Directors, and a system is in place to ensure appropriate supervision by that Board of Directors. The committee reports on matters such as the policies, activity plans, and initiatives of all committees involved in sustainability, namely, the CSR Committee, Decarbonization and Global Environment Committee, and Risk Management Committee.



**ESG/SDGs Promotion Committee**

The Committee is chaired by the President and is established as a higher-level organization related to sustainability. In principle, the Committee meets quarterly to determine company-wide action policies and monitor the activities of each committee. The matters deliberated by the Committee are also regularly reported to the Board of Directors.

**CSR Committee**

In order to retain the trust of society, we have established this system to plan activities related to solving social issues and contributing to local communities, as well as to monitor the results of these activities.

**Decarbonization and Global Environment Committee**

This Committee was established to promote and appropriately control and supervise activities for decarbonization and environmental conservation in our business. In addition to ISO 14001 compliance, we have set annual targets for climate change, water resource conservation, and waste reduction, and are working on reduction activities.

**Risk Management Committee**

In order to minimize increasingly diverse risks, the Committee identifies, analyzes, and evaluates material risks at the Company, formulates risk countermeasures, and examines countermeasures and preventive measures against recurrence of material risks as they materialize.

# Stakeholder Engagement

The PILLAR GROUP will respond swiftly to changes in the business climate and bring about market and social development through our ability to see beyond the changes and take bold action.

And as a good corporate citizen, we are committed to contributing to the development of local communities and continuing to provide products that make our customers happy.

Therefore, we will strive to maintain and develop sound relationships with our stakeholders through open and fair communication with society at all times.



| ● Efforts at Stakeholder Engagements |                                                                                                                                                          |                           |                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stakeholders                         | Main responsibilities                                                                                                                                    |                           | Primary opportunities for dialogue                                                                                                                                                                                                                                                                                                                                                             | Related website                                                                                                                                                                                                                                                                                                  |
| Customers                            | High quality<br>Safety<br>Aftersales service                                                                                                             | Fair prices<br>Innovation | <ul style="list-style-type: none"><li>● Customer request cards</li><li>● Customer satisfaction survey</li><li>● Disclosure of information on our website</li><li>● Inquiry form on our website</li></ul>                                                                                                                                                                                       | Product information<br>                                                                                                                                                                                                       |
| Business partners                    | Fair and transparent transactions<br>CSR procurement                                                                                                     |                           | <ul style="list-style-type: none"><li>● Procurement policy briefing</li><li>● CSR Procurement Guidelines</li><li>● CSR procurement questionnaire</li></ul>                                                                                                                                                                                                                                     | Purchasing information<br>                                                                                                                                                                                                   |
| Employees                            | Respecting human rights<br>Diversity<br>Safe and comfortable work environment<br>Health management                                                       |                           | <ul style="list-style-type: none"><li>● In-house magazine, intranet</li><li>● Interviews</li><li>● Whistleblower hotline</li><li>● Stress checks</li><li>● Engagement survey</li><li>● Rank-specific training</li><li>● Health and Safety Committee</li><li>● Labor-management talks</li></ul>                                                                                                 | Social and human resources initiatives<br><br> –  |
| Shareholders/<br>Investors           | Corporate value enhancement<br>Appropriate stock price<br>Timely and appropriate supply of information<br>Shareholder returns                            |                           | <ul style="list-style-type: none"><li>● General meeting of shareholders</li><li>● Financial results briefing</li><li>● One-on-one, small meetings</li><li>● Briefings for individual investors</li><li>● Shareholder newsletters and integrated reports</li><li>● Supply of information through IR information pages</li><li>● Supply of information to ESG evaluation organizations</li></ul> | IR information<br>                                                                                                                                                                                                          |
| Local communities                    | Respect for local culture and customs<br>Consideration for the local environment<br>Improvement of the educational environment<br>Creation of employment |                           | <ul style="list-style-type: none"><li>● Social contribution activities</li><li>● Career education</li><li>● Internships</li><li>● Factory tours</li></ul>                                                                                                                                                                                                                                      | Main social contribution activities<br><br>                                                                                            |
| Global environment                   | Global environmental conservation                                                                                                                        |                           | <ul style="list-style-type: none"><li>● Development of energy-saving and carbon-neutral products</li><li>● Environmental considerations at the manufacturing stage</li><li>● Compliance with environmental laws and regulations</li><li>● Environmental education</li></ul>                                                                                                                    | Environmental initiatives<br><br> –               |

Society

Group Human Rights Policy

Based on the concept that unprecedented new ideas are created by a diversity of values, we respect the diversity of our human resources, and based on the Group Code of Conduct, we established the Group Human Rights Policy in order to clearly define our approach to human rights when conducting business in countries and regions around the

world.

For more information, including the full text of the Group Human Rights Policy, please visit our website.  
<https://www.pillar.co.jp/en/sustainability/human-right/>



Human Rights Management System

We have adopted and are working on respect for human rights as one of the materialities that the PILLAR GROUP must address. Human rights risks are identified and reported to the Risk Management Committee, which cooperates with related divisions to plan and implement countermeasures.

A whistleblower system has been introduced for the early detection of misconduct, including violations of laws and internal regulations. Alongside a unified internal hotline for all employees in Japan and overseas (including affiliates and temporary employees), we have established and are operating an external hotline for direct consultation

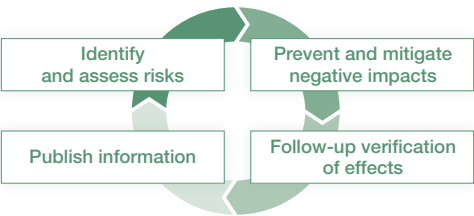
with legal advisors.

In order to increase awareness and understanding of the internal hotline, it is featured on the top page of our intranet together with a flow diagram showing how response is coordinated, and in a pocket-sized leaflet that is distributed to new employees. We promptly respond to any violation of laws and regulations or to any incident that violates corporate ethics by convening the Corporate Ethics Committee.

In fiscal 2024, there were two whistleblower cases, both of which were handled appropriately.

Implementing the Human Rights Due Diligence Process

The PILLAR GROUP detects and assesses any risks that have a negative impact on human rights, and we are building and continually implementing a human rights due diligence mechanism to monitor and improve the effects of these initiatives. We will review and improve the management of this mechanism as appropriate, while endeavoring to strengthen our initiatives for respecting human rights.



Initiatives for Employees

We give the highest priority to ensuring the safety and health of our employees in all our business activities and processes, including the use and disposal of products, parts, and materials, and we are committed to building a workplace environment in which all employees can work with peace of mind. For this reason, every year we conduct e-learning education and questionnaires, with the objective of evaluating the situation regarding understanding and awareness of human rights and compliance. This enables us to see whether violations of human

rights have occurred and to assess measures for more thorough compliance, and is reflected in activities to raise employee awareness, in training, and so on.

In fiscal 2024, training was conducted for all employees (including affiliates and temporary employees) in Japan and overseas. Participants who answered fewer than 80% of test questions correctly retook the training, which seeks to make the understanding of human rights more widespread.

Initiatives for Suppliers

In order to realize a sustainable society, it is necessary not just for the PILLAR GROUP but also the entire supply chain to respond to demands from society, and we are working on this together with our suppliers. Based on the PILLAR Basic Procurement Policy, we have formulated our PILLAR CSR Procurement Guidelines as guidelines for suppliers.

Our annual CSR procurement questionnaire always contains questions relating to human rights, and enables us to track the status of supplier initiatives. Going forward, we will endeavor to reduce human rights risks throughout the supply chain via ongoing questionnaires and dialogues with our suppliers.

Human Capital (HR Strategy)

Basic Personnel Policy—Our Organizational and Human Resources Ideal Based on a Long-Term Management Vision

The Group has contributed to the creation of a sustainable and prosperous society. Human resources are indispensable to achieving such a society. Therefore, we have positioned human resources as our most critical management capital, and have defined our Human Resources Vision as follows. This defines the organizational culture and

human resources ideal to be achieved by 2030. The personnel department believes that its long-term and most important mission is to stand between management and employees and implement various measures so that this desired image becomes the ideal image for employees.

Human Resources Vision Linked to Management Strategy—Efforts to Achieve the Ideal State of People and Organizations

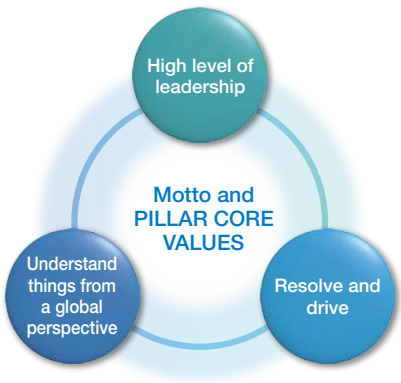
|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Organizational Culture We Aspire for | <ul style="list-style-type: none"><li>• An organization that can continue to devise ways to make a broader contribution to society through business from a global perspective, and with the spirit of the Company's founding as its starting point.</li><li>• An organization that discards the notion of separate optimization and allows free, vigorous, and creative discussion, always with the goal of total optimization in mind</li><li>• An organization that actively promotes diversity and accepts a variety of ideas and perspectives</li><li>• An organization that can innovate (transform) to surpass competitors with its diversity of thought and challenging spirit</li><li>• An organization that provides highly motivated individuals with opportunities to grow both personally and professionally</li><li>• An organization that values team harmony, while recognizing those who demonstrate advanced abilities and produce results</li></ul> |
| The Human Talent We Seek                 | <ul style="list-style-type: none"><li>• People who can face up to difficulties and challenges independently and accomplish things with integrity, with our Motto and PILLAR CORE VALUES as action guidelines</li><li>• People who can identify their own department's and their own role in achieving high goals, and who can elevate the entire team's sense of involvement, awareness of problems, and sense of urgency</li><li>• People who have high aspirations and dreams through their work</li><li>• People who have strong curiosity about everything and continue to grow and take up new challenges, not being bound by the past</li><li>• People who can always look ahead, identify issues that need to be done right away, demonstrate leadership, and lead the team to its goal (problem-solving)</li></ul>                                                                                                                                            |

Human Resources Development Policy / Internal Environment Development Policy

Our human resources development policy is to develop human resources who have a proper understanding of our Motto and PILLAR CORE VALUES, who understand things from a global perspective, and who can demonstrate a high level of leadership, resolve, and drive. Moreover, we have established an internal environmental development

policy and are carrying out individual measures to create a workplace environment in which human resources with diverse experience and knowledge can play an active role while exercising their individuality, and work both at ease and in good health.

Human Resources Development Policy



Internal Environment Development Policy



Human Resources Strategy in the Medium-Term Management Plan, One2025

Under the Medium-Term Management Plan, it is essential that we improve the linkage between management strategy and human resources strategy in order to attain further growth. In other words, to accomplish our management targets, we will build a human resources portfolio that asks what kinds of people are needed, how many, and in what timeframe, and recruiting and educating those human resources is important for achieving this.

We will constantly monitor the linkage between management strategy and human resources strategy, and reflect this in our human resources policies to ensure that they function properly. In fiscal 2024, we were able to make improvements with all our KPIs. Toward accomplishing our Medium-Term Management Plan, we will steadily mark each milestone while taking into account changes to the environment, and invest in human capital so that employees can feel fulfilled and comfortable in their work.

► Securing Diverse Human Resources

As part of the Medium-Term Management Plan, we are rapidly advancing the expansion of our businesses in Japan and overseas, for example, by opening new bases. In order to take on the challenge of achieving a *Clean* environment and expanding into the *Frontier* that develops the leading edge of the industry, we are addressing new technologies such as next-generation batteries and hydrogen, while actively sending employees to universities, conducting collaborative research, and so on. We believe that securing diverse human resources is fundamental to generating new ideas, and we will continue to secure such resources and develop an environment to facilitate this.

► Professional and Global Human Resources Development

For us to enhance our organizational capabilities, it is very important that we have professionals who follow a path in their areas of individual specialism, and who grow with a sense of curiosity and a desire to improve while assimilating the latest expertise. The PILLAR GROUP is implementing a variety of measures, such as creating an educational system to help employees acquire specialized skills and study independently, and enhancing qualification allowances for those with professional certifications. In recent years, we have boosted qualification allowances relating to AI and IT to increase our future competitiveness in digital technologies, and the number of employees who hold such certifications is steadily growing.

Developing the human resources who will support the strengthening of our global competitive edge, which is one of our management strategies, is also a key theme, and we continue to recruit employees

► Fostering a Culture of Transformation

The culture of transformation that is our goal involves an organizational culture in which every employee autonomously takes on challenges and leads transformation. However, this is meaningless if it results in employees sacrificing their health or personal lives. In order to support employees in taking on challenges, we aim to be a company that helps them improve their health and lead fulfilling personal lives to an even greater extent than before, while promoting measures for health management and work-life balance (for example, by reducing overtime and encouraging them to take consecutive holidays).

We have also set about reviewing our personnel system so that employees consider their careers autonomously and achieve their

| STRATEGY                                                              |                                                         | ACTION                                                                      |                                |                                |                                | OUTPUT                       |                       | OUTCOME                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Human Resources Strategy                                              |                                                         | KPIs                                                                        | Progress of KPIs               |                                |                                |                              |                       | <div>Creating a future that supports society</div> <div>CLEAN<br/>Achieving a clean global environment</div> <div>SAFETY<br/>Contributing to a safe and secure society</div> <div>FRONTIER<br/>Expanding into new fields that develop the leading edge of the industry</div> |
| Diverse human resources to support sustainable organizational growth  | Implementing measures to secure diverse human resources | Percentage of new hires that are women (nonconsolidated)                    | FY2022                         | FY2023                         | FY2024                         | Diversity                    | FY2025 targets        |                                                                                                                                                                                                                                                                              |
|                                                                       |                                                         |                                                                             | 25%                            | 22%                            | 28%                            |                              | 30% or more           |                                                                                                                                                                                                                                                                              |
|                                                                       | Improvement of leadership and management skills         | Amount invested in human resources development per person (nonconsolidated) | 79,000 yen per person annually | 71,000 yen per person annually | 91,000 yen per person annually | Professional human resources | 95,000 yen per person |                                                                                                                                                                                                                                                                              |
|                                                                       | Talent management                                       | Number of global human resources (all corporations)*                        | 77                             | 73                             | 98                             | Global human resources       | 94                    |                                                                                                                                                                                                                                                                              |
|                                                                       | Increased engagement                                    | Secondary health checkup rate (nonconsolidated)                             | 50%                            | 63.6%                          | 81%                            | Cultural transformation      | 80% or more           |                                                                                                                                                                                                                                                                              |
|                                                                       |                                                         | Engagement score (nonconsolidated)                                          | 64%                            | 61%                            | 62%                            |                              | 65%                   |                                                                                                                                                                                                                                                                              |
|                                                                       | Diversity, Equity & Inclusion (DE&I)                    | Ratio of female managers (nonconsolidated)                                  | 3.0%                           | 3.3%                           | 3.9%                           |                              | 5% or more            |                                                                                                                                                                                                                                                                              |
| Percentage of male employees taking childcare leave (nonconsolidated) |                                                         | 22.7%                                                                       | 42.9%                          | 75%                            | 75% or more                    |                              |                       |                                                                                                                                                                                                                                                                              |

\*Number of global human resources = Number of human resources with management experience at overseas bases (number of human resources with experience at overseas bases primarily through personnel rotation + number of human resources promoted to management from national staff)

\*Engagement score = Ratio of positive responses to the items 'Motivation,' 'Rewarding,' and 'Pride' in the employee engagement survey.

with superior communication skills that are backed up by an understanding of different cultures. Foreign languages, risk management, and the management of different cultures are things that cannot be learned without actually working overseas, and we intend to create even more opportunities for the planned rotation of personnel with our overseas bases. At the same time, we are also strategically promoting national staff to management positions.

career goals, and to create an environment that enables them to grow. We are uncovering problem points in the current system and undertaking repeated discussions with a view to finding solutions. Going forward, we will update our personnel mechanism so that diverse human resources master their individual specialisms and the organization itself can also grow.

Human resources management initiatives  
<https://www.pillar.co.jp/en/sustainability/hr-management/>



TOPIC

Alumni and Referral Recruitment

Employees with a thorough understanding of our philosophy and businesses, and organizational capabilities that correspond with our vector are both essential for the ongoing growth and development of the Group. We are now introducing mechanisms in which people who have been employed by PILLAR in the past are once more welcomed as colleagues (alumni recruitment), and candidates for recruitment such as friends and acquaintances are referred to us by Group employees (referral recruitment). Since these mechanisms were introduced two years ago, 13 people have already joined us based on referrals and are successfully working within the Group.

We have created a page on our website about alumni and referral recruitment. (Japanese only)  
<https://www.pillar.jp/>



Diversity, Equity & Inclusion (DE&I)

We are committed to promoting diversity, and we aim to realize a fair workplace environment by taking maximum advantage of diversity to stimulate new value creation and innovation.

We also continue to conduct diversity and inclusion training, the objectives of which are to propagate awareness and promote diversity management in the Group as a whole. In fiscal 2024, we conducted an entry-level equity e-learning course for managers. Participants in this training learned about everything from the fundamentals of diversity, equity, and inclusion to the importance of equity (fairness), the relationships between majorities and minorities, noticing inequalities, and the three practical steps of noticing differences, looking at situations from the other person's standpoint, and taking action. We will continue to respect diversity and aim for sustainable corporate growth by creating more opportunities for women than ever before, developing new products that take advantage of ideas generated by different values through the active promotion of foreign-national human resources, and developing internal systems that allow people with disabilities to play an active role.

In fiscal 2024, our ratio of female managers was 3.9%. We aim to increase this to 5% by fiscal 2025 and 10% by fiscal 2030, thereby creating opportunities for women to play an even more active role. With this in mind, we are successfully creating such opportunities, and encouraging participation in leadership training and career development support programs aimed at female leadership candidates. To support male participation in childcare, we are also working on measures to encourage men to take childcare leave, and in fiscal 2024, 75% of male employees who were entitled to do so took childcare leave. Going forward, we will promote awareness of our DE&I systems through e-learning and other means, thereby fostering a workplace environment that is supportive of childcare.

For more information on our diversity management policy, please visit our website.  
<https://www.pillar.co.jp/en/sustainability/diversity/>



Women's Roundtable Discussion

In promoting diversity management, we held a roundtable discussion with female employees and Outside Director Kyoko Kobayashi as part of an initiative that aims for the active participation of a diverse range of employees. Through this initiative, the participants were given the chance to envisage their future career plans by sharing and considering how to handle their current issues and concerns with a female director.

The discussion involved an honest exchange of ideas that included the experiences of Ms. Kobayashi herself and covered topics such as household chores, childcare, how the Company is organized, careers, and the development of skills. For example, after one participant described how grateful she would be if there was a system for taking paid leave on an hourly basis to attend school events such as open days, this system was launched in 2024.

We believe that opportunities for mutual understanding that arise from dialogues between the Company and its employees provide hints for creating new systems and improve employee engagement based

on the insights of both parties, and we intend to initiate further dialogues in future.



"2025 Outstanding Organization of KENKO Investment for Health" Certification

We have formulated a Health Management Declaration in order to achieve organizational revitalization and sustainable corporate value enhancement through the safe and healthy work of a diverse range of human resources. With the aim of raising health awareness among employees and their families and encouraging them to work in good mental and physical health, we have enhanced measures such as the establishment of a health management promotion system, mental health care, secondary health checkups, and a work-life balance. The Ministry of Economy, Trade and Industry and the Japan Health Council jointly implements a certification system for corporations with excellent health and productivity management, and in recognition of these efforts, we were certified for the third consecutive year as a 2025 Outstanding Organization of KENKO Investment for Health in the large

corporation category for being a "corporation that takes a strategic approach to employee health management from a business perspective."



Initiatives Relating to Global Health Problems

As the PILLAR GROUP's global development progresses, we are strengthening our health management systems for employees working overseas. For employees who are posted overseas, in addition to undergoing a health check before leaving Japan, they receive vaccinations to prevent the risk of contracting infectious diseases at their destination and education to reinforce their understanding of health risks. While they are overseas, they receive a health check at least once a year, and we have established a system in which the

results are reported to the General Manager of the General Affairs & Personnel Department, thereby enabling us to assess their health and swiftly respond on an ongoing basis. These measures also apply to family members who have relocated with an employee, and all the resulting costs are covered by PILLAR. As such, we are enhancing working environments overseas and supporting sustainable growth for the Company by comprehensively supporting the safety and security of employees and their families.

Occupational Health and Safety

We believe that the health and safety of our employees is an unparalleled value. To ensure a safe and comfortable work environment, we have committed to eliminating occupational accidents in our Group Code of Conduct and to complying with all applicable laws and regulations as well as internal rules such as the Health and Safety Management Regulations and Various Work Procedures.

The Health and Safety Committee was established to ensure employee safety and promote the maintenance of health. The Committee formulates annual policies and activity plans related to health and safety, and meets monthly.

In addition, we continue to implement hazard prediction activities and have the President visit and inspect each factory. Each factory also issues a publication called Health and Safety News, which increases awareness of safety among employees and is distributed via highly visible locations. Moreover, Health and Safety Committee members conduct on-site inspections to assess hazard levels in the workplace. Priority is given to workplaces with high hazard levels in order to analyze the causes of possible hazards and implement effective hazard source control measures, thereby preventing occupational accidents from occurring or recurring.

TOPIC

Conducting Hazard Experience Training with VR

We are now conducting hazard experience training using virtual reality (VR). In addition to modules such as those relating to being caught in drill machines or receiving electric shocks from electric panels, this training covers experiences that could happen to anyone, such as falling down a flight of stairs. All employees working at factories participate in the training, which is conducted on an ongoing basis.

Among other things, participants have told us that the training motivated them to think about hazardous locations on site, and it has led to greater safety awareness. Going forward, we will further increase awareness of health and safety among employees, not just through lectures but also simulated experiences.



Key Initiatives in Fiscal 2024

- Health and safety activities at each operational base
- Safety meetings with partner companies
- Displaying health and safety leaflets from partner companies
- Activities for identifying minor incidents with the participation of all related parties
- Safety lectures by managers

Fiscal 2024 Targets and Results

Lost-time injuries / injuries with no lost time

FY2024 target

0

FY2024 results

Lost-time injuries: 0  
Injuries with no lost time: 3

Promoting CSR Procurement

In order to continue fair and transparent transactions with our suppliers and to carry out our purchasing activities, we have established our “Basic Procurement Policy” and are striving to realize fair business activities.

In consideration of the expansion of ESG-related investments and global procurement, supply chain management is an important issue both for companies and our stakeholders, and the issues that surround it include the environment, human rights, quality, business practices, and disaster response. In order to appropriately address these issues, we have established and are implementing the PILLAR CSR Procurement Guidelines, a group procurement policy that outlines our CSR Procurement Standard. We recognize that social issues such as conflict minerals and violations of fundamental human rights pose serious problems in our supply chain, and we do not purchase any mineral or textile raw materials of concern.

Furthermore, among measures relating to supplier engagement for the smooth undertaking of procurement activities, we are promoting CSR procurement by conducting a business partner policy briefing and a CSR procurement questionnaire, and publishing and collecting certificates of receipt/questionnaires to confirm understanding and endorsement of the Company's green procurement policy when initiating transactions with new purchasers.

Purchasing information (PILLAR Basic Procurement Policy)  
<https://www.pillar.co.jp/en/about/purchasing/>



**Basic Procurement Policy**

**1. Compliance**  
We shall comply with all relevant laws and regulations as well as social norms both domestically and internationally.

**2. Human rights**  
We shall respect human rights in all our corporate operations.

**3. Environmental protection**  
We shall contribute to protection of the global environment through our purchasing operations.

**4. Fair and equitable trading opportunities**  
We shall provide fair and equitable trading opportunities according to the principles of free competition both domestically and internationally.

**5. Partnerships**  
We shall endeavor to establish bonds of trust and strengthen our relationships with our business partners in a spirit of shared prosperity.

**6. Health and safety**  
We shall strive to prevent accidents and minimize the spread of infectious diseases while building a workplace environment in which all employees can work with greater peace of mind.

**7. Rejection of anti-social forces**  
We shall reject any and all associations with anti-social forces and organizations.

PILLAR CSR Procurement Guidelines  
<https://media.nippon-pillar.com/assets/pdf/3151460b1ce07e1c45721d69b79faa8441ccb27e.pdf>



Business Partner Policy Briefing

The Group holds a business partner policy briefing at the start of each fiscal year. 74 companies participated during fiscal 2024, with the majority being direct suppliers of materials. At the briefings, as well as communicating information about our operations—for example,

explaining procurement policy and initiatives in each of our businesses—we also share information about data security and carbon neutrality, and encourage business partners to respond to social issues.

CSR Procurement Questionnaire

We conduct an annual questionnaire on CSR procurement to understand the status of our suppliers' CSR activity systems, compliance with laws and regulations, human rights, and environmental conservation. In fiscal 2023, 109 major suppliers representing approximately 95% of our transaction value responded to this questionnaire, making for a 100% response rate, while in fiscal 2024, the questionnaire was on a much larger scale and targeted all 577 of our supplier companies. Because the questionnaire did not relate to

transaction values, the response rate was 83%, that is, 477 companies. Having analyzed and evaluated the results of the questionnaire, we are working to raise the standard of supplier initiatives overall and reduce the number of companies with lower scores. Particularly with suppliers for whom improvement was judged as being necessary, we are supporting that improvement by visiting them in person and engaging in discussions.

Declaration of Partnership Building

The PILLAR GROUP has endorsed the aims of the Future Partnership Building Promotion Council, and in May 2024, we announced our participation in the Declaration of Partnership Building, which is promoted by the Cabinet Office, the Ministry of Economy, Trade and Industry, and the Small and Medium Enterprise Agency.



Social Contribution Activities

We are promoting social contribution activities that anticipate the future with the aim of realizing a sustainable society. By collaborating with local communities, taking the environment into consideration, and supporting the next generation, we place importance on an attitude of making progress with society while fulfilling our responsibilities as a company.

Supporting the Promotion of Community Sports

Sponsoring Marathon Races (Sanda International Masters Marathon, Fukuchiyama Marathon, Tambasasayama ABC Marathon)

As part of corporate social responsibility (CSR) and health management, we are actively sponsoring marathon races with the goal of interacting with local communities and promoting the health of our employees.

In fiscal 2024 we sponsored three marathon races: the Sanda International Masters Marathon, the Fukuchiyama Marathon, and the Tambasasayama ABC Marathon. In addition to participating as runners, PILLAR GROUP employees worked as volunteers and assisted in organizing these races. PILLAR booths were also set up at each venue to provide a context for interaction with local residents, thereby strengthening our connections with communities and allowing us to help generate excitement at the races.

Going forward, we will continue our CSR activities and health management initiatives as a way of coexisting with local communities and promoting our employees' health.



International Contribution

Participating in Donation Activities Such as Furugi de Vaccine

With the objectives of the effective utilization of resources and international contribution, we participated in the Furugi de Vaccine project for collecting unwanted items by donating used clothing, including company uniforms and employees' clothes. As well as leading to the provision of polio vaccines, these donations help create jobs for workers in developing countries and for people with disabilities in Japan.

Via NPOs, we are also donating used books and postage stamps, which contribute to the formation of a recycling-oriented society. Through activities such as these, we are continuing with our efforts to realize a decarbonized, sustainable society.



Community Contribution

PILLAR Dining at The University of Fukuchiyama

In April 2025, we concluded a naming rights agreement with the University of Fukuchiyama for its university cafeteria. In line with this, a sign displaying our company logo has been installed at the cafeteria, which is now called PILLAR Dining.

Along with supporting a local university as part of our community contribution activities, the goals of this agreement are to boost recognition of the PILLAR brand and promote the hiring of local students. Going forward, we will value our community links and develop initiatives for realizing a sustainable society.



Educating the Next Generation

Factory Tours and Internships

We regularly organize factory tours at our Sanda Factory, Fukuchiyama Factories, and Kyushu Factory. During fiscal 2024, around 360 school staff members and students visited these factories. They saw large-scale injection molding machines, seismic isolators, and other equipment that they do not have the chance to see in their everyday school lives. We received a great deal of interest and positive feedback from the participants.

As a company, organizing factory tours and internships has also provided us with numerous insights.



Please refer to the Company website for our main social contribution activities.  
<https://www.pillar.co.jp/en/sustainability/csr/>



Environment

Environmental Policy

Basic Policy

Recognizing that environmental issues are a challenge common to all humankind, the PILLAR GROUP is aware of its social responsibility as a corporation, and as a good corporate citizen, we are actively working to preserve the global environment. We will also contribute to the development of local communities, aiming for the sustainable development of society and the Company.

(1) Compliance with Laws and Regulations

We will establish and comply with voluntary standards that take into account not only domestic and international environmental laws and regulations but also social demands.

(2) Development of Products Contributing to Environmental Protection

We will develop technologies and products that contribute to the realization of a sustainable society through not only performance improvement but also environmental protection as a manufacturer of fluid control-related equipment.

(3) Promotion of Decarbonization and Environmental Conservation in Business Activities

We will strive to reduce waste emissions and protect the global environment through resource circulation while promoting carbon-neutral activities, such as energy conservation.

(4) Continuous Improvement Activities

We will recognize the environmental impact of our business activities and continuously improve our environmental management system.

(5) Collaboration and Cooperation with Stakeholders

We will develop environmental conservation activities in collaboration and cooperation with stakeholders to meet societal expectations.

Structure for Promoting Environmental Conservation Measures

We have created an environmental management system (EMS) headed by the executive officer responsible for the environment and overseen by the Decarbonization and Global Environment Committee. Through Environmental Management Committees established at both our Sanda and Fukuchiyama factories, we are working to reduce the environmental impact of our business activities and develop environmental contribution products. These initiatives are reported to the ESG/SDGs Promotion Committee to enhance the effectiveness of each committee, and management reviews are conducted at the Management Meeting and meetings of other bodies to ensure continuous improvement. Additionally, in order to respond to situations in which environmental risks could significantly affect lives, property, and the living environment, we regularly conduct emergency response drills, organized by the Disaster Prevention and Pollution Prevention Subcommittee. Every year, we conduct large-scale earthquake evacuation drills for all employees at our head office, Sanda Factory, Fukuchiyama Factory, and other factories. We have also introduced a safety confirmation system as a means of communicating between employees and the Company in the event of a large-scale earthquake or other wide-area disaster. We will continue to review and improve our business continuity plan (BCP) through periodic drills.

● EMS acquisition at production bases (FY2024)

|                                    | Number of factories: a | Number of factories with EMS: b | Acquisition rate (%): b/a |
|------------------------------------|------------------------|---------------------------------|---------------------------|
| Separate                           | 4                      | 3                               | 75                        |
| Consolidated in Japan and overseas | 9                      | 0                               | 0                         |
| Group overall                      | 13                     | 3                               | 23                        |



**\*Bases with EMS**  
Sanda Factory: Acquired September 1999  
Fukuchiyama Factory No. 1: Acquired September 2002  
Fukuchiyama Factory No. 2: Acquired August 2024

Environmental Audit

We have undergone an external ISO 14001:2015 audit to verify that the environmental management system is operating properly and that continuous improvements are being implemented. No non-conformities were noted in the audit results for fiscal 2024, and among other things, we were recognized for switching to EVs for commuter buses and

displaying information about environmental impact facilities for use in emergencies. In addition, the Sanda Factory and Fukuchiyama Factory conduct internal environmental audits every year for all departments to confirm their environmental initiatives and to continuously improve their environmental management systems.

Circular Economy and Resource Conservation

► Product Repair

We contribute to the circular economy by providing aftersales service even after the delivery of our products. Mechanical seals used in the industrial equipment-related market and bellows pumps employed in the electronic equipment-related market can be used just like new

products by repairing or replacing only key parts. By repairing products and allowing customers to use them longer, we contribute to the effective use of resources.

► Waste Reduction and Recycling

In addition to reducing the amount of general and industrial waste generated in our business operations, we are working to promote recycling through ongoing communication with vendors. In fiscal 2024, our efforts to promote the recycling of resins, scrap pallets, and

corrugated cardboard resulted in a recycling rate of 72.9%. We will continue to promote waste reduction and recycling initiatives to make effective use of limited resources.

► Compliance with Measures for Laws, Regulations, and Other Obligations

We always obtain the most up-to-date information to ensure we comply with environmental laws, agreed values of municipalities, etc., clearly setting out all compliance requirements in the “Environmental laws, regulations, and other requirements list.” We also conduct regular

surveillance and measurement to ensure scheduled reporting and recordkeeping to prevent violations of laws and regulations and contamination of the local environment, as well as to improve matters of concern and to maintain and preserve the environment.

Prevention of Chemical Pollution and Conservation of Water Resources

► Water Consumption Reduction Activities

We are working to reduce our water consumption in response to the growing risk of water shortages worldwide. In fiscal 2024, our volume of water withdrawal decreased by 3.3% from the previous year to 114,000 m³, thanks to our promotion of water conservation and recycling activities.

90% or more of our water consumption is at production bases, and

the effective management and use of water resources is a key issue in our production activities. In 2025, we plan to reduce water consumption by 8% year on year with measures such as managing the concentration of cooling water and reusing wastewater at our major production bases in Sanda, Fukuchiyama, and Kyushu.

► Response to Toxic Substances (PRTR Law)

Under the provisions of the Pollutant Release and Transfer Register (PRTR), which requires companies to manage specified chemical substances that have an environmental impact, we notify the competent authorities every year regarding these substances. We also have an

ongoing program of considering switching to non-specified alternatives and cutting usage, emission, and transfer of specified substances. In our Medium-Term Management Plan One2025, we have set the goal of completely eliminating the use of the three substances.

● Substances Subject to Notification under the PRTR Law (nonconsolidated)

(kg)

| Name of substance                         | Control number | FY2020      |                       |                | FY2021      |                       |                | FY2022      |                       |                | FY2023      |                       |                | FY2024      |                       |                |
|-------------------------------------------|----------------|-------------|-----------------------|----------------|-------------|-----------------------|----------------|-------------|-----------------------|----------------|-------------|-----------------------|----------------|-------------|-----------------------|----------------|
|                                           |                | Amount used | Atmospheric emissions | Waste transfer | Amount used | Atmospheric emissions | Waste transfer | Amount used | Atmospheric emissions | Waste transfer | Amount used | Atmospheric emissions | Waste transfer | Amount used | Atmospheric emissions | Waste transfer |
| Xylene*1                                  | 80             | 1,432       | 7                     | 12             | —           | 5                     | 17             | 1,211       | 6                     | 18             | 1,212       | 12                    | 2              | 1,485       | 25                    | 3.7            |
| Chromium and trivalent chromium compounds | 87             | 2,650       | 0                     | 1,700          | 2,895       | 0                     | 2,001          | 3,583       | 0                     | 2,388          | 3,152       | 0                     | 2,205          | 2,787       | 0                     | 1,951          |
| Dichloromethane (Methylene chloride)      | 186            | 57,700      | 53,000                | 4,700          | 109,100     | 104,000               | 5,100          | 114,200     | 109,200               | 5,000          | 82,175      | 78,340                | 3,835          | 49,300      | 40,225                | 4,300          |
| Trimethylbenzene*1                        | 691            | 1,651       | 8                     | 13             | 1,002       | 5                     | 19             | 1,598       | 8                     | 23             | 2,220       | 22                    | 3              | 2,717       | 40                    | 6.7            |
| Others*2                                  | 580<br>585     | —           | —                     | —              | —           | —                     | —              | —           | —                     | —              | 4,676       | 1                     | 168            | 1,540       | 0                     | 0              |

· Listed here are substances for which the amount used is 1,000 kg or more annually.

· Substances subject to notification have been added to the report from FY2024, and we have submitted notification regarding two of these new substances.

\*1 Kerosene fuel consumed by combustion is not included in the amounts of emissions and transfer.

\*2 Other substance names are as follows.

580: Alpha-alkyl-omega-hydroxypoly(oxyethylene) (Limited to substances with alkyl group carbon numbers of 9 through 11 and mixtures thereof, and substances with a number-average molecular weight of less than 1,000)

585: Alpha-(isocyanatobenzyl)-omega-(isocyanatophenyl)poly[(isocyanatophenylene)methylene]

Biodiversity Conservation

We see the conservation of biodiversity as one of our materialities, and we are always considerate of biodiversity conservation and the natural environment.

For the second successive year following fiscal 2023, in fiscal 2024, PILLAR Corporation sponsored “Sanda Sakura Monogatari” (“Sanda Cherry Blossom Story”), which is an initiative with which Sanda City

works to conserve cherry blossom trees that line the Muko River and yamazakura (Japanese mountain cherry trees) that grow wild in the surrounding mountains and forests.

We also undertake regular cleaning work around all our business locations and contribute to environmental conservation in local communities.

Information Disclosure Based on the TCFD Recommendations



As the role of companies in mitigating and adapting to climate change becomes increasingly important, and as demand for decarbonization and carbon neutrality increases in the marketplace, we intend to further increase our contribution to the decarbonization of markets and society

Governance and Risk Management

The Group has established the ESG/SDGs Promotion Committee as an organization for addressing issues relating to sustainability. Regarding climate change, basic policy and goals formulated by the Decarbonization and Global Environment Committee, which is a lower level organization, are being deliberated, and we are monitoring our progress toward achieving those goals.

Climate-related risk management is focused around the Decarbonization and Global Environment Committee, which reports quarterly to the ESG/SDGs Promotion Committee.

Overall, integrated risk management is overseen by the Risk

through our technologies and products. In fiscal 2024, we adopted the approach of the Science Based Targets initiative (SBTi) and reviewed our medium- to long-term targets.

Management Committee, which builds and operates a company-wide risk management system that also covers climate-related risks. These two committees coordinate closely with each other, with the aim of making our response to climate change more effective.

The content of deliberations at each committee is reported to the Board of Directors twice yearly, and a governance system is in place to ensure appropriate supervision by the Board of Directors.

For more information on other governance structures and risk management, please visit our website.

Strategy

When identifying climate-change risks and opportunities that impact the Group's businesses, strategy, and finances, we established ① a 1.5–2°C temperature-rise worldview in which decarbonization progresses and ② a 3–4°C temperature-rise worldview in which global

warming progresses, then identified and consolidated climate-related drivers in each scenario with which the degree of impact on the Group is expected to be significant.

■ Risks and opportunities expected to be significant in the following scenarios  
■ 1.5–2°C scenario ■ 3–4°C scenario  
■ Time horizon (timing of occurrence/realization)  
Short term: within 3 years, Medium term: over 3 years to 10 years, Long term: over 10 years

|                                            | Risk                                                                                                                   | Time horizon         | Risk reduction                                                                                                                         |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Policies/Regulations                       | Carbon pricing based on the Company's own GHG emissions                                                                | Medium term          | Reduce GHG emissions by promoting energy conservation and energy creation initiatives                                                  |
| Markets                                    | Decrease in demand for fluid control equipment in the power and energy markets due to the shift away from fossil fuels | Medium to long term  | Keep a close eye on the trends of energy shift and EV shift, and strategically respond to them                                         |
|                                            | Decrease in demand for fluid control equipment for vehicles with internal combustion engines                           | Short to medium term |                                                                                                                                        |
| Technology                                 | Intensify competition in the development of technologies and products for a decarbonized society                       | Medium term          | Accelerate R&D of technologies and products that reduce environmental impact, such as energy saving, resource saving, and space saving |
| Weather, climate and environmental changes | Flooding in and around the Company's main locations                                                                    | Short term           | Promote disaster prevention measures at high-risk sites, strengthen coordination among sites, and review and strengthen BCPs           |

|                                            | Opportunity                                                                                                                                                                    | Time horizon        | Opportunity capture measures                                                                                                                                                                |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Markets                                    | Increase in demand for semiconductor-related products due to digital transformation (DX) and other developments aimed at increasing the efficiency of socioeconomic activities | Short term          | Keep a close eye on technological innovations and market trends in the information, communication, and control markets, and launching new products in a timely manner                       |
|                                            | Increase in demand for fluid control equipment in the clean energy market, including hydrogen, ammonia, and biomass fuels                                                      | Medium to long term | Identify needs and promoting market development in the clean energy fluid handling market                                                                                                   |
|                                            | Increase in demand for semiconductor-related products due to the increase in solar power generation and the spread of distributed power sources                                | Short term          | Stably supply semiconductor and LCD related products for the electric power market based on the expansion of the renewable energy market and the transition to a distributed energy society |
|                                            | Increase in demand for semiconductor-related products due to the increase in onboard semiconductors and devices for EVs and self-driving cars                                  | Short term          | Identify needs and promote market development associated with the shift to mobility                                                                                                         |
| Technology                                 | Increase in demand for fluid control equipment that contributes to CO <sub>2</sub> transport/transfer and fluid control                                                        | Medium term         | Accelerate research and development of CCUS up to the commercial stage and participate in demonstration tests, etc.                                                                         |
| Weather, climate and environmental changes | Increase in demand for drainage equipment and pump-related products                                                                                                            | Short term          | Expand businesses that solve societal issues                                                                                                                                                |
|                                            | Increase in demand for products related to seawater desalination and purification                                                                                              | Long term           |                                                                                                                                                                                             |

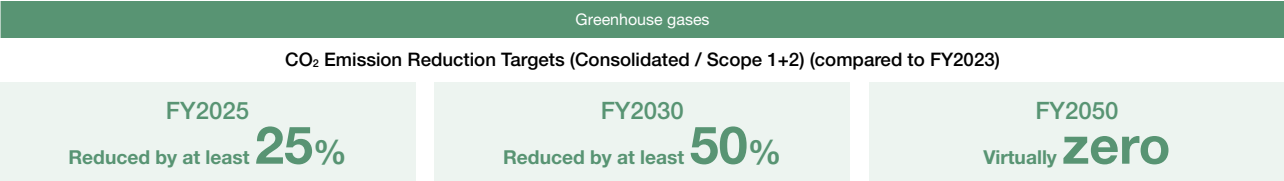
Among the climate risks and opportunities that were identified, we used the World Energy Outlook 2022—which was issued by the International Energy Agency (IEA)—and various other parameters to conduct scenario analysis of ① the impact of the shift to EVs on products for the automotive market and ② the impact of the shift to clean energy on products for the petroleum refining and chemical markets, while also taking into account their impact on future business for the Company (financial impact, etc.) and their relevance to business strategy.

The results of this analysis enabled us to recognize that the shift

to EV and clean energy has a significant impact on the Company's products. However, we also came to understand that actively promoting our response to climate change can lessen this impact and lead to generating and expanding sales opportunities in new markets.

In response to the anticipated risks and opportunities, we are developing new products and improving the performance of existing ones. By also strengthening our relationships with business partners, we are making the Company more resilient to climate change.

Indicators and Targets



With a view to mitigating climate change, the Group is actively working to reduce greenhouse gas emissions, for example, through energy-saving activities and through in-house power generation from solar power facilities on Company-owned sites.

We reviewed our goals during fiscal 2024 and formulated more effective reduction plans. During this review, we changed the reference year from fiscal 2013 to fiscal 2023 and adopted the approach of the

Science Based Targets initiative (SBTi).

We are also making the disclosure of sustainability information more reliable and incentivizing management to promote climate change measures, for example, by including the acquisition of third-party verification in some environmental performance indicators and incorporating ESG indicators into our remuneration system for directors.

Detailed information based on the Task Force on Climate Related Financial Disclosures (TCFD) is also featured on our website.

<https://www.pillar.co.jp/en/sustainability/tcfid/> PILLAR Information Disclosure Based on the TCFD Recommendations

Initiatives for a Decarbonized Society

Based on the PILLAR Group Environmental Policy, we recognize that environmental issues such as climate change are a challenge common to all humankind. We are also aware of our social responsibilities as a corporation, and as a good corporate citizen, we are actively working to preserve the global environment.

Particularly by contributing to reduced CO<sub>2</sub> emissions from our business activities, and via our products and services, to reduced greenhouse gas (GHG) emissions from society as a whole, we are aiming for the sustainable development of society and the Company, and for the realization of a decarbonized society.

Transition Planning for a Decarbonized Society

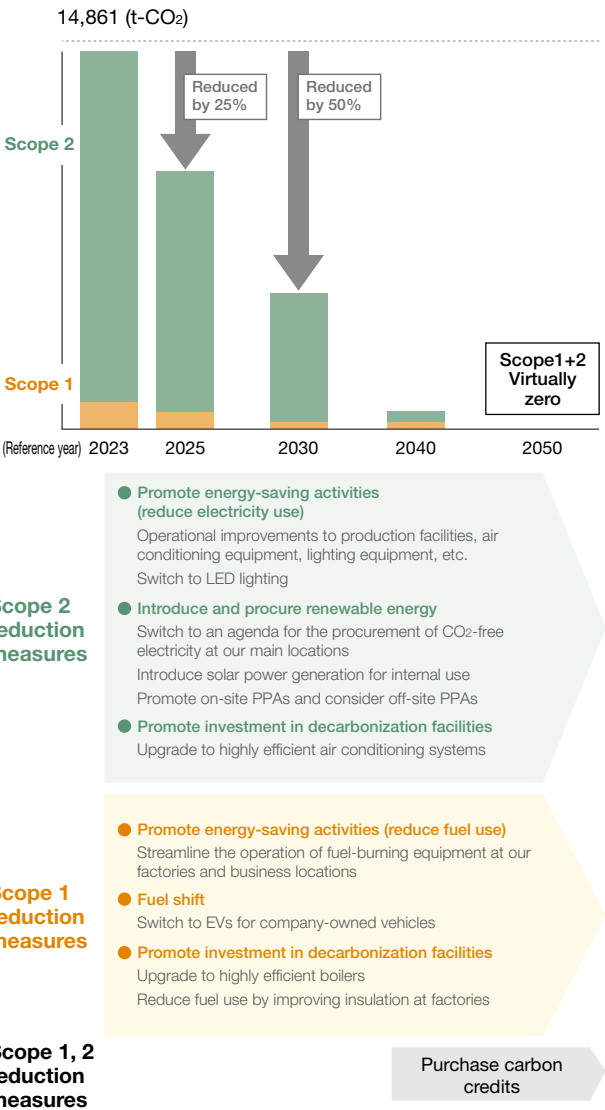
Road Map for Achieving Carbon Neutrality

We are planning specific measures in accordance with short-, medium-, and long-term timelines for achieving virtually zero CO<sub>2</sub> emissions by 2050. In addition to ongoing initiatives such as energy-saving activities and the upgrading of facilities, our aim is to reliably reduce emissions through a phased approach that includes expanding the introduction of renewable energy, switching away from fossil fuels, and ultimately utilizing carbon credits.

Current Progress (Scope 1 + 2)

The PILLAR GROUP's CO<sub>2</sub> emissions (Scope 1 and Scope 2) in fiscal 2024 were 8,651 t-CO<sub>2</sub>. We have been steadily implementing carbon-neutral measures at all business sites, for example, energy saving, enhancing solar power generation for internal use, and increasing procurement amounts for CO<sub>2</sub>-free electric power.

In fiscal 2024, we began the full-scale operation of solar power generation for internal use at two new locations, our Fukuchiyama Factory No. 2 and NP Kogyo, thereby increasing the ratio of renewable energy that we use.



► Specific Initiatives for Decarbonization

— Energy-Saving Activities

The PILLAR GROUP is actively promoting energy-saving activities with the aim of optimizing energy use and reducing energy wastage at all business sites. We are implementing a wide range of measures, from day-to-day energy-saving activities such as operational improvements

— Introducing Renewable Energy

As an important step toward reducing CO<sub>2</sub> emissions, we are actively advancing the introduction of renewable energy. We have installed and are operating solar power generation for internal use in five buildings at four factories, including our Sanda and Fukuchiyama factories. We

— Internal Carbon Price System

At the PILLAR GROUP, we are introducing an internal carbon price system with the objectives of promoting low-carbon investment and strengthening our response to climate change risks.

Having set a carbon price of 9,200 yen/t-CO<sub>2</sub> (as of October 2021), we visualized the future costs associated with CO<sub>2</sub> emissions in the decision-making process for facilities investment and business

► Initiatives Throughout the Supply Chain

— Calculation and Reduction of Scope 3 Emissions

In addition to the Group's direct (Scope 1) and indirect (Scope 2) emissions, we are advancing the calculation and management of emissions throughout the supply chain (Scope 3).

Our Scope 3 emissions in fiscal 2024 were 106,501 t-CO<sub>2</sub>, which is a 28% reduction on the previous fiscal year. This was thanks to a significant reduction in Category 2 emissions during fiscal 2024, when there were no large-scale investment projects as there had been in fiscal 2023, for example, in consumables and fixed assets relating to

— Collaborating with Stakeholders

At the PILLAR GROUP, we believe it is essential to work on tackling the problem of climate change across the entire supply chain. We are engaged in dialogues and collaborations with various stakeholders

— Dialogues and Collaborations with Suppliers

In order to work throughout the supply chain in response to the demand for realizing a sustainable society, we have established and are operating the PILLAR CSR Procurement Guidelines, which streamline the Group's procurement.

We have also highlighted items related to environmental conservation, which include activities for achieving CO<sub>2</sub> reduction targets, so that we can also work in cooperation with suppliers to tackle the problem of climate change.

► Policy Engagement

— Activities via Industry Organizations

The PILLAR GROUP is in the Japan Society of Industrial Machinery Manufacturers (JSIM), whose member companies manufacture industrial machinery used primarily in factories. JSIM proposed a target for fiscal 2030 of reducing CO<sub>2</sub> emissions from domestic manufacturing by 10% compared to fiscal 2013, and achieved a 21.3% reduction in the ten years from fiscal 2013 ('Environmental Activities Report 2023,' JSIM). In order to contribute to measures that will combat global warming on a worldwide scale in future, it has adopted policies for advancing proactive energy-saving activities and the utilization of renewable energy.

As a JSIM member company, we cooperate with regular surveys

at production facilities, upgrading to highly efficient equipment, switching to LED lighting, and the optimized operation of air conditioning equipment, to medium- and long-term initiatives associated with investing in facilities.

have also extended our adoption of an agenda for the procurement of CO<sub>2</sub>-free electricity, and we are seeking to increase the ratio of renewable energy that we use.

planning. With this system, we are encouraging decisions to invest in energy-saving facilities and renewable energy equipment, and promoting decarbonization from a medium- to long-term perspective. Going forward, we will set an appropriate carbon price and operate the system while closely monitoring carbon price trends in Japan and overseas.

new factory construction.

Because Category 1 (purchased goods and services) accounts for about 77% of Scope 3 emissions overall, we believe that reducing emissions by collaborating with our suppliers is a key challenge.

Going forward, we will improve the accuracy of calculation and take steps to reduce emissions, thereby promoting decarbonization throughout the supply chain.

such as customers, suppliers, and local communities, and we will coordinate with these stakeholders with the goal of achieving virtually zero CO<sub>2</sub> emissions by fiscal 2050.

Specifically, at annual policy briefings for suppliers, we summarize the climate change problem, explain the Group's initiatives to address it, and provide details of calculating Scope 1, 2, and 3 emissions. We also endeavor to improve understanding of climate change and GHG calculation. With our annual CSR procurement questionnaire, which is conducted to assess the situation regarding initiatives at all our suppliers, we have been confirming and tracking the status of their efforts to reduce greenhouse gas emissions since fiscal 2021.

conducted by its Environment Committee. We also provide environmental data relating to energy consumption, CO<sub>2</sub> emissions, and so on, and information about initiatives for reducing such emissions. We actively participate in other activities organized by the JSIM Environment Committee, and assist in promoting initiatives to reduce the environmental impact of the industry as a whole. In particular, our ambitious goal of reducing CO<sub>2</sub> emissions by at least 50% by fiscal 2030 compared to fiscal 2023 exceeds the JSIM's own targets, and we are sharing information about this as an example of a progressive initiative within the industry.

► Products and Technologies that Contribute to Realizing a Decarbonized Society

— Development and Sales Targets for Environmental Contribution Products

The Group is committed to expanding the development and sales of environmental contribution products to meet societal needs for energy conservation and the utilization of clean energy. Sales of these products in fiscal 2024 were 3.1 billion yen, and we achieved this fiscal 2025 KPI

ahead of schedule. We are committed to achieving this KPI again during fiscal 2025, and we will develop our activities to further expand sales, with the aim of reaching 6 billion yen by fiscal 2030.

— Introducing Our Key Environmental Contribution Products

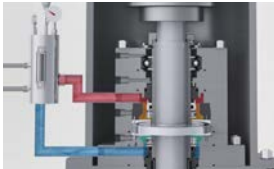
The PILLAR GROUP has two environmental contribution product groups: energy saving and carbon neutral.

Our range of energy-saving contribution products contributes to reducing the energy needed for devices and equipment by adopting PILLAR products such as those with low pressure loss, low torque, and low power consumption. Our range of carbon-neutral contribution products are incorporated in devices and equipment that contribute to realizing a carbon-neutral society, for example, emerging energy

sources, batteries, and EVs. We are promoting product development with an awareness of market needs and environmental issues, and expanding our lineup of environmental contribution products.

In future, by further promoting technological innovation and accelerating the development and launch to market of products with greater environmental performance, we will strengthen our initiatives toward realizing a decarbonized society.

● Examples of Environmental Contribution Products

| Product                                                                                           | Characteristics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sweep Elbow    | <div>Circulation product</div> <ul style="list-style-type: none"><li>This elbow fitting with a round flow path employs the sealing structure of our S300-type fitting, which is trusted and has a proven track record. The round flow path reduces pipe resistance, thereby contributing to environmentally friendly equipment design. For example, the Sweep Elbow fitting with an 8 mm inner diameter reduces pressure loss by approximately 60% (actual PILLAR measurement values) compared with our existing products.</li></ul>                                                                                                                                                                                                                              |
| EDP® Packing  | <div>Gland packing</div> <ul style="list-style-type: none"><li>This product achieves high airtightness due to its packing structure and lubricant for preventing liquid penetration. It contributes to the environment by conforming to requirements for compatibility with global standard values such as ISO 15848-1 (international standard) and API 622 (industry standard).</li></ul> <p>*EDP = Emission Defense Packing</p>                                                                                                                                                                                                                                                                                                                                 |
| Gas seal     | <div>Mechanical seal</div> <ul style="list-style-type: none"><li>Normally, sliding surfaces are sealed through direct contact, whereas this mechanical seal has a structure that enables sealing in a state in which the sliding surfaces are raised in micron-level increments. The seal sliding surfaces are noncontact, so they also grant an energy-saving effect through low power consumption. Furthermore, this product has a long operating life due to there being little damage to the seal end surface, and contributes to the environment by not utilizing liquid sealants or buffers.</li></ul>                                                                                                                                                      |
| PSCC         | <div>Mechanical seal</div> <ul style="list-style-type: none"><li>Until recently, in the operation of mechanical seals for agitators, the supply of liquid sealant or lubricant (sealant circulating and cooling) was undertaken using an auxiliary circulation device (pressure unit). However, PILLAR has developed this unique, new-concept system, which circulates sealant via an internal pumping function. By eliminating the need for a pressure unit, this contributes to energy saving and resource conservation, for example, with a 14 metric ton reduction in annual CO<sub>2</sub> emissions and a 70% reduction in the space required for installation (PILLAR estimates).</li></ul> <p>*PSCC = PILLAR Sealant Circulating &amp; Cooling System</p> |

► Disclosing Climate-Related Information with the CDP

The PILLAR GROUP is appropriately assessing and managing risks and opportunities related to climate change, and as well as reflecting these in management strategy, we believe it is important to disclose information to our stakeholders in a highly transparent way. By disclosing information based on Taskforce on Nature-related Financial Disclosures (TCFD) recommendations and responding to the Carbon Disclosure Project (CDP), we are actively disseminating our climate

change initiatives and encouraging dialogues with stakeholders.

In fiscal 2024, we disclosed information via the CDP questionnaire and received a B score (management level) in the fields of both climate change and water security. Going forward, we will continue to make our initiatives related to climate change and the conservation of water resources more sophisticated, to strengthen their disclosure, and to further improve the disclosure of environmental information.

This and further information about PILLAR's initiatives for a decarbonized society can also be seen on our website.

<https://www.pillar.co.jp/en/sustainability/decarbonization/>

PILLAR initiatives for a decarbonized society

