

Environmental Initiatives

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

In addition to complying with domestic and international environmental laws and regulations, we pledge to establish and adhere to our own voluntary standards that take into account the needs of society.

(2) Development of products that contribute to environmental protection

As a manufacturer of fluid control equipment, we develop technologies and products that contribute not only to improved performance but also to the emergence of a society committed to sustainability through environmental protection initiatives.

(3) Controlling environmental pollution in our business operations

We strive to prevent pollution and protect the environment by reducing the amount of waste generated, recycling the waste generated, reducing the use of environmentally hazardous substances, while complying with pollution control regulations intended to protect the environment.

(4) Improvement of environmental management system

Recognizing the environmental impact of our business operations, we strive to continuously improve our environmental management system.

(5) Collaboration and cooperation with stakeholders

We expand our environmental conservation activities and meet the expectations of society, in collaboration and cooperation with stakeholders.

Structure for Promoting Environmental Conservation Measures

Our Sanda Factory obtained ISO 14001 certification in September 1999, and our Fukuchiyama Factory was also certified in September 2002, and we have been promoting an ongoing environmental improvement program. In terms of environmental management, we have established an environmental management system headed by the executive officer in charge of the environment, and the Decarbonization and Global Environment Committee oversees the management system, and through an Environmental Management Committee established at both sites, 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.



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 2023, and we were recognized for receiving the highest possible ESG/SDGs assessment, considering

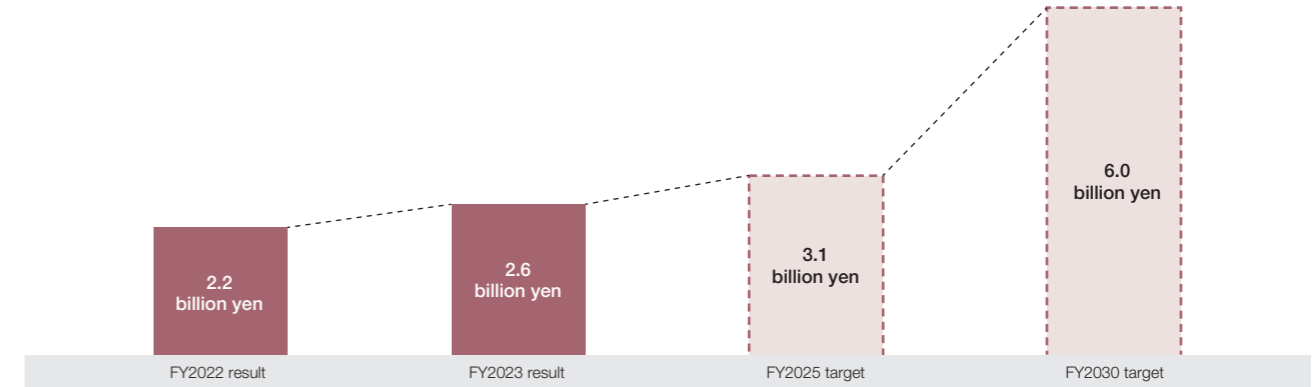
substitute resin raw materials, and developing products that lead to energy saving by customers. In addition, the Sanda Factory and Fukuchiyama Factory conduct internal environmental audits every year for all departments to confirm their environmental initiatives and to continuously improve their environmental management systems.

Development of Environmental Contribution Products




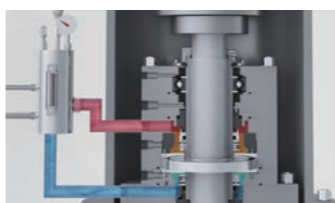
Based on our mission of contributing to the safety and security of people's lives and the environment by controlling all kinds of fluids, we are contributing to the creation of a decarbonized society by controlling the flow of greenhouse gases and a wide range of energy resources. To meet the needs for energy

conservation and the utilization of clean energy in the world, we are selecting products that contribute to those needs, and with the sales of such products as an indicator, we aim to expand our sales scope.

Sales of Environmental Contribution Products



Examples of Environmental Contribution Products

Product	Characteristics
 <p>Sweep Elbow</p>	<p>Circulation product</p> <ul style="list-style-type: none"> 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.
 <p>EDP® Packing</p>	<p>Gland packing</p> <ul style="list-style-type: none"> 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). <p>*EDP = Emission Defense Packing</p>
 <p>Gas seal</p>	<p>Mechanical seal</p> <ul style="list-style-type: none"> 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.
 <p>PSCC</p>	<p>Mechanical seal</p> <ul style="list-style-type: none"> 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 CO₂ emissions and a 70% reduction in the space required for installation (PILLAR estimates). <p>*PSCC = PILLAR Sealant Circulating & Cooling System</p>

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 through our

technologies and products. Based on this recognition and conviction, we are disclosing our systems, initiatives, etc. based on the TCFD recommendations regarding the impact of climate change-related risks and opportunities on our business, strategy, and finances.

Related website

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



Governance and Risk Management

Basic policies and important matters related to climate change are discussed and decided by the ESG/SDGs Promotion Committee. The details are reported to the Board of Directors on a regular basis, and a governance system is in place to ensure appropriate oversight by the Board of Directors.

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

Strategy

We identified climate-change risks and opportunities, and evaluated their degree of the impact, timing of occurrence and realization, and likelihood of occurrence and realization of climate-change risks and opportunities under each scenario, based on 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.

- 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
Technology	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
	Increase in demand for fluid control equipment that contributes to CO ₂ 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	

Scenario Analysis

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.

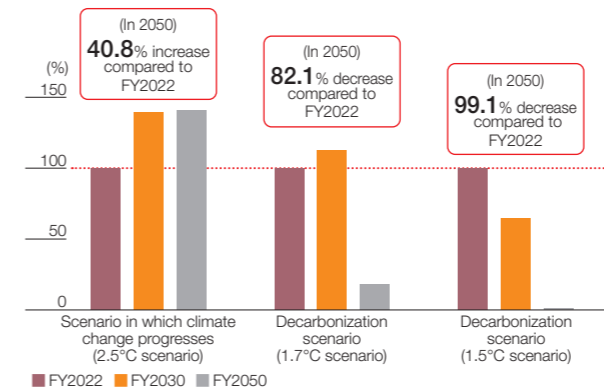
In response to the anticipated risks and opportunities, we are developing new products and improving the performance of existing ones. By also strengthening our relationships with business partners, we are making the Company more resilient to climate change.

Impact of the EV Shift on Products for the Automotive Market

The Company sells a wide range of products for the automotive market, and alongside the transition toward vehicles that are not fitted with internal combustion engines—for example, EVs—there is expected to be a fall in the demand for exhaust system parts. In order to gain an understanding of the impact of this EV shift, we analyzed future sales of our exhaust system parts for automobiles.

Assessment Results

● Predicted sales values for automobile exhaust system parts with each scenario



- In a scenario in which climate change progresses and the number of hybrid vehicles, etc. increases, sales increase by more than 40% by 2050.
- In a decarbonization scenario in which the number of EVs, etc. increases, sales decrease by more than 80% by 2050.
- Exhaust system parts are expected to be significantly impacted by this transition.

Response Strategy

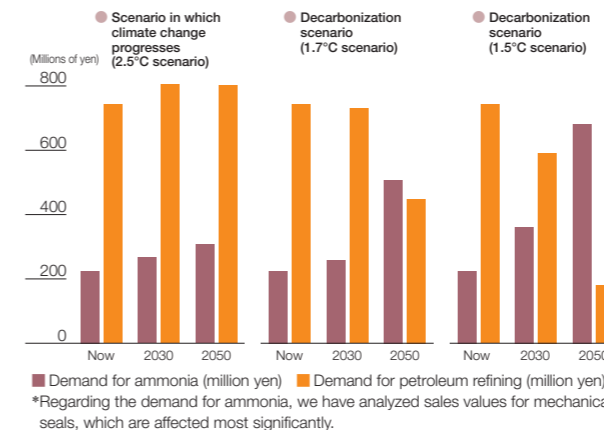
Even with decarbonization scenarios, by 2030, sales increase in the 1.7°C scenario and in the 1.5°C scenario, the impact is forecast to be limited to a reduction of 30%. In the period of time until the EV shift has progressed significantly, we will seek to expand the scope of sales of existing exhaust system products by further improving their performance and making them more lightweight. We will also develop markets by developing and launching new products for EVs.

Impact of the Shift to Clean Energy on Products for the Petroleum Refining and Chemical Markets

In the decarbonization scenario, the future global demand for petroleum may fall significantly. In response to this, we are focusing on the clean energy market, and bearing in mind the coming decline of the petroleum refining market and expansion of the ammonia market, we have analyzed the impact on our industrial equipment-related products.

Assessment Results

● Expected impact of the shift to clean energy on sales of products for the petroleum refining and chemical markets with each scenario



- Demand for petroleum refining declines significantly in the decarbonization scenario.
- In ammonia-related markets, demand for production increases whatever the scenario.
- Expansion of ammonia-related markets results in greater demand for the Company's products.

Response Strategy

Although the petroleum refining market is in decline due to the impact of decarbonization, there have been a succession of plans to construct refineries for sustainable aviation fuel (SAF), which is attracting attention as an alternative fuel. By leveraging our track record of adoption at demonstration plants, going forward, we will actively generate sales opportunities from new construction projects.

In the ammonia market, we already have an extensive track record of supplying to plants that produce ammonia for fertilizer. Increasing demand for ammonia for new applications (electricity generation, marine fuels, etc.) in the future will generate an even greater increase in sales opportunities for the Company, so we will continue to improve performance even further and to build relationships with business partners, with the aim of improving our resilience.

Indicators and Targets

Greenhouse gas	Sales of products that help create a decarbonized society	In-house carbon pricing
CO₂ Emission Reduction Targets (Consolidated/Scope 1+2) (compared to FY2013)	Sales Targets for FY2030	Introduced an internal carbon price system and operated it as one of the investment indices related to energy conservation and energy creation, etc. 9,200 yen/t-CO₂ (as of October 2021)
FY2025 Reduced by 25% FY2030 Reduced by 50% FY2050 Virtually zero	Energy-saving products Approx. 4 billion yen Carbon neutral products Approx. 2 billion yen	

Decarbonization and Energy Saving

Initiatives for Reducing CO₂ Emissions (Scopes 1 + 2)

FY2023 result: 14,861 metric tons (+3,962 metric tons compared to previous FY)
FY2025 target: 25% reduction compared to FY2013

We have been implementing carbon neutrality measures at all business sites, for example, energy-saving activities, improving rates of renewable energy use through the full-scale operation of solar power generation for internal use, and increasing procurement amounts for CO₂-free electric power. As well as the scope of calculation changing with the acquisition of TANKEN SEAL SEIKO

CO., LTD. by the Group, CO₂ emissions have increased due to the increase in emissions factors by electric utility.

In fiscal 2024, in line with the ongoing procurement of CO₂-free electric power, we began the full-scale operation of solar power generation for internal use at three new locations. As such, we are anticipating increased rates of renewable energy use.



PILLAR Precision Corporation



NP Kogyo Corporation

Scope 3 Calculation FY2023 business location result: 149,077 metric tons (+64,491 metric tons compared to previous FY)

In addition to the scope of calculation changing with the acquisition of TANKEN SEAL SEIKO by the Group, CO₂ emissions have increased due to the impact of consumable-related (Category 1) associated with the newly constructed Fukuchiyama Factory No. 2 and R&D Center at the Sanda Factory, and of the recording of fixed assets (Category 2).

Because Category 1 accounts for over 60% of Scope 3 as a whole, by conducting annual questionnaires and procurement policy briefings with suppliers, we will actively seek engagement, for example, by sharing the Company's ideas and the status of its initiatives, and consulting with a view to the collection of preliminary data.

Response to CDP

In fiscal 2023, we disclosed information via the CDP questionnaire and improved our rating in relation to climate change compared to the previous fiscal year, receiving a B (management level).

Among other things, we believe this was due to our initiatives for Scope 3, for which we began new calculation, and for conducting and providing a clear explanation of our analysis of

climate-related risks.

Going forward, we will continue to enhance our climate change initiatives and strengthen their disclosure, while providing new answers regarding water security as it relates to the conservation of water resources, and improving the disclosure of environment-related information.

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 2023, our efforts to promote the recycling of resins,

scrap pallets, and corrugated cardboard resulted in a recycling rate of 71.7%. 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 2023, our volume of water withdrawal decreased by 3.3% from the previous fiscal year to 118,000 m³, thanks to our promotion of water conservation and recycling activities.

In fiscal 2024, although we have set a reduction target of 4,000 m³ from water conservation work, because of changes to the way we clean products, we are expecting an increase in water use of approximately 39,000 m³ in place of fewer substances being subject to the Pollutant Release and Transfer Register (PRTR) Act.

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)

Name of substance	Control number	FY2019			FY2020			FY2021			FY2022			FY2023		
		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	1,801	11	56	1,432	7	12	983	5	17	1,211	6	18	1,212	12	2
Chromium and trivalent chromium compounds	87	3,630	11	2,500	2,650	0	1,700	2,895	0	2,001	3,583	0	2,388	3,152	0	2,205
Dichloromethane (Methylene chloride)	186	34,800	30,800	4,000	57,700	53,000	4,700	109,100	104,000	5,100	114,200	109,200	5,000	82,175	78,340	3,835
Trimethylbenzene*1	691	2,050	11	40	1,651	8	13	1,002	5	19	1,598	8	23	2,220	22	3
Others*2	580 585	-	-	-	-	-	-	-	-	-	-	-	-	4,676	1	168

* 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.

In fiscal 2023, 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.