

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

► 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

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.

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 ₂ transport/transfer and fluid control	Medium term	Accelerate research and development of CO ₂ up to the commercial stage and participate in demonstration tests, etc.
	Increase in demand for drainage equipment and pump-related products	Short term	Expand businesses that solve societal issues
Weather, climate and environmental changes	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/tcfd/>

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 CO₂ 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

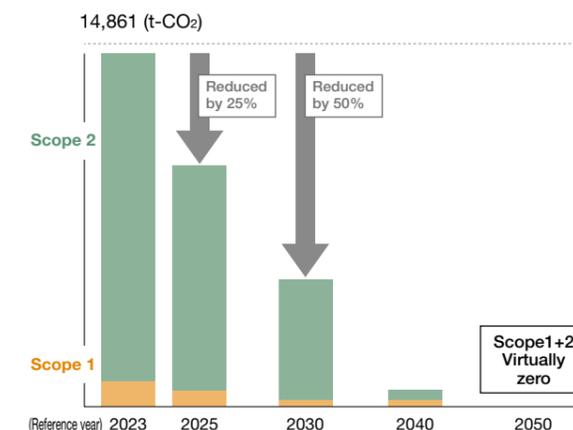
— Road Map for Achieving Carbon Neutrality

We are planning specific measures in accordance with short-, medium-, and long-term timelines for achieving virtually zero CO₂ 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 CO₂ emissions (Scope 1 and Scope 2) in fiscal 2024 were 8,651 t-CO₂. 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 CO₂-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.



- **Promote energy-saving activities (reduce electricity use)**
Operational improvements to production facilities, air conditioning equipment, lighting equipment, etc.
Switch to LED lighting
- **Introduce and procure renewable energy**
Switch to an agenda for the procurement of CO₂-free electricity at our main locations
Introduce solar power generation for internal use
Promote on-site PPAs and consider off-site PPAs
- **Promote investment in decarbonization facilities**
Upgrade to highly efficient air conditioning systems

- **Promote energy-saving activities (reduce fuel use)**
Streamline the operation of fuel-burning equipment at our factories and business locations
- **Fuel shift**
Switch to EVs for company-owned vehicles
- **Promote investment in decarbonization facilities**
Upgrade to highly efficient boilers
Reduce fuel use by improving insulation at factories

Scope 1, 2 reduction measures Purchase carbon credits

► 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 CO₂ 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-CO₂ (as of October 2021), we visualized the future costs associated with CO₂ 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-CO₂, 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 CO₂ 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 CO₂ 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 CO₂-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 CO₂ 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, CO₂ 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 CO₂ 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

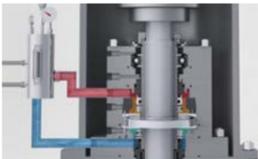
The PILLAR GROUP has two environmental contribution product groups: energy saving and carbon neutral.

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
 <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><small>*EDP = Emission Defense Packing</small></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><small>*PSCC = PILLAR Sealant Circulating & Cooling System</small></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

