

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 CCUS 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

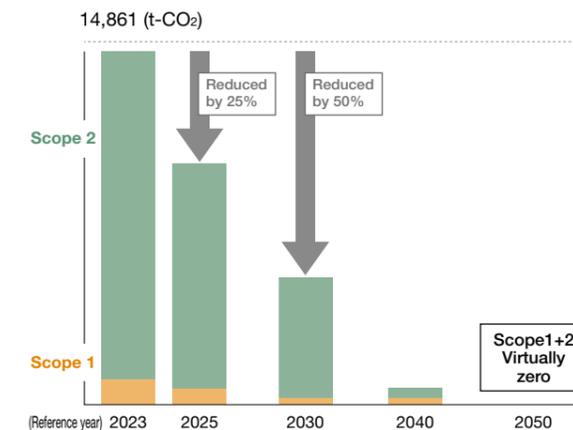
Road Map for Achieving Carbon Neutrality

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.



- Scope 2 reduction measures**
 - 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
- Scope 1 reduction measures**
 - 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