

PIOLAX

Pioneer of elasticity

CSR Report 2020



Use **change**
as leverage

Piolax will evolve without fear of change
for the future of manufacturing

PIOLAX
PIOLAX, INC.

【Editorial Policy】

This CSR report is created to help stakeholders deepen their understanding of CSR activities conducted by the Piolax Group toward the sustainable society.

The Piolax Group hopes to expand the circle of communication with more stakeholders through this report.

■Reportable organization

PIOLAX, INC. and the Piolax Group (In case an article does not cover the whole Piolax Group, its applicable scope is referred to.)

■Period covered

April 1, 2019 to March 31, 2020

■Reference guideline

This CSR report is created in accordance with the core level of the GRI standards.

■Time of issuance

Japanese version: November 2020

■Contact regarding this report

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Disclaimer

This report includes forward-looking statements of the Piolax Group such as plans, forecasts, strategies, and performance which are based on currently available information. We would appreciate understanding of readers.

Message from the President

We will contribute to a sustainable society, as a development-oriented company using “elasticity” as core technology.

Since its foundation, Piolax has engaged in management with the aim of being a “pioneer in creating elasticity”, under the corporate credo, “sincerity, cooperation, and contribution”. Our founder, Saburo Kato, has put into this credo the following ideas: working with sincerity, valuing ties with other people, and contributing to the development of society through corporate activities, and all of which have supported our growth to date.

The automobile industry, our major customer, is now entering a period of major change that may occur once in a century, and challenges in new fields such as electrification, automated driving, and car sharing are being required. This year, the new coronavirus pandemic has spread from the beginning of the year and hit the world hard, and the world will change greatly in response to this pandemic. In order to survive in this rapidly changing environment, I consider it is important for the company to assess what it should and should not change for its growth.

Piolax has, since its foundation, aimed to be a development-oriented company using “elasticity” as core technology. While maintaining these two cores, “elasticity” and “development-oriented company,” we will continue to pursue our corporate activities.

So, in aiming to be a company that can contribute to a sustainable society, what should we change? Piolax started with the manufacturing and sales of metal springs when it was founded, and afterwards it has dealt with plastic products and this has expanded possibilities for various development and manufacturing, resulting in business growth. I believe that such an aggressive attitude for development and a challenging spirit for changes will lead to the solution of issues that society is facing today. As part of the efforts to address climate change issues, Piolax is actively tackling the development of environmentally conscious products and products for electrification. In addition, we are continuing efforts to provide high quality products through quality improvement, as well as efforts to minimize wasted processes and materials.

Aiming to be a company that can contribute to, and is needed by, the stakeholders, we will continue to work actively to solve social issues.

We hope that the publication of the Piolax CSR Report FY2020 will provide more stakeholders with an opportunity to understand our thoughts and activities.

Please look forward to the future activities by the Piolax Group.



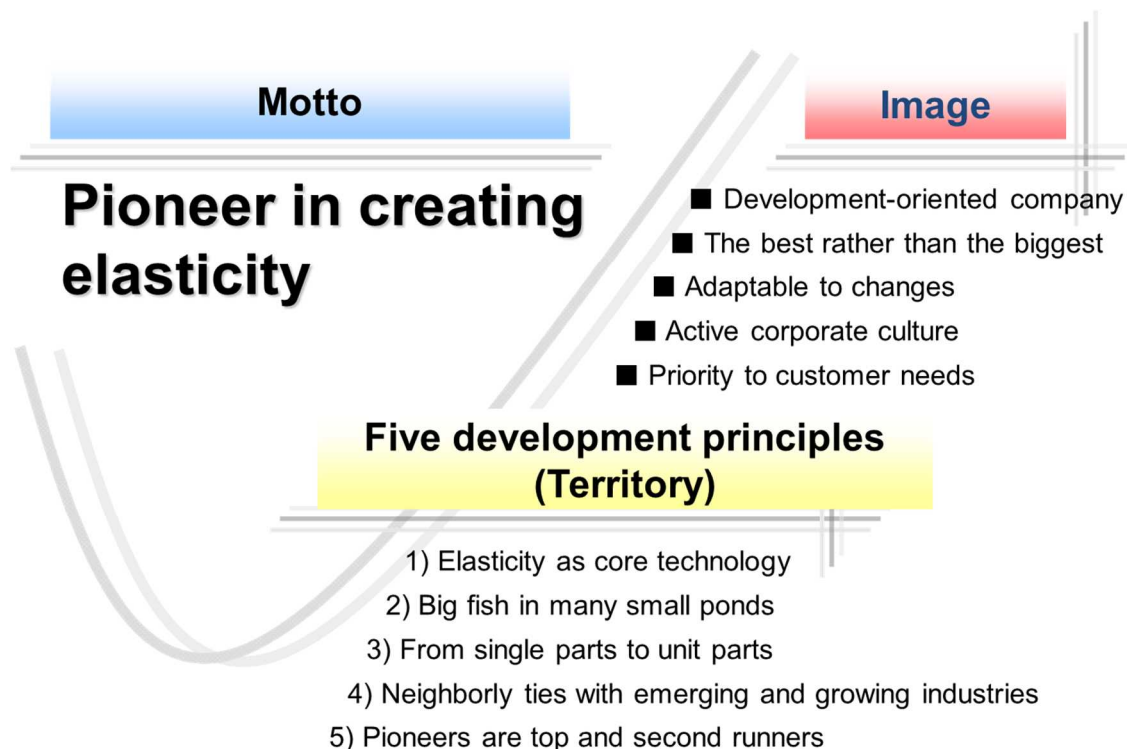
President, Yukihiro Shimazu

Company Credo

“Sincerity, Cooperation,
and Contribution”

Company Philosophy

Piolax will continue new challenges always looking ahead to the changes in the times as a development-oriented company using “elasticity” as core technology.



【History】

Combining **metal** and **plastic**, Piolax has expanded its possibilities and entered into **new businesses**.

- 1933 Start "Kato Hatsujo Seisakusyo" at Honjo Kikukawa, Tokyo.
- 1936 Move to Iwai-cho, Hodogaya-ku, Yokohama
- 1937 Start business with Ford Japan
- 1939 Established as "Kato Hatsujo K.K."
- 1957 Build Yokohama Plant at Kariba-cho, Hodogaya-ku, Yokohama
- 1969 Start production of plastic fasteners
- 1970 Build Moka Plant (Tochigi Prefecture)
- 1988 Start local production in the U.S.
- 1995 Change the company name to "PIOLAX, INC."
- 1995-1996 Establish bases in the U.K. and Korea
- 1998 Listed on the 2nd section of the Tokyo Stock Exchange (TSE)
Build Fuji Plant (Shizuoka Prefecture)
- 1999 Spin off medical device business into a separate company
- 2000 Establish a base in Thailand
- 2003 Establish a base in China (Dongguan)
- 2004 Listed on the 1st section of the TSE
- 2009-2012 Establish bases in India, Mexico, Indonesia, and China (Wuhan)
- 2017 Sign a cooperation agreement with ARaymond (France)
- 2019 Establish a base in China (Shanghai)



Initial establishment
(Hodogaya-ku, Yokohama)

1933 Start from manufacturing **metal springs**

1972 Make a full-scale entry into **plastic fastener business**

1990s Expand business of fuel system parts

1995 Enter into medical device business

2000s Expand business of open & close mechanism parts

2010s Enter into EV business

**Piolax celebrated its 87th anniversary
in October 2020**

【Company Information】 (As of March 31, 2020)

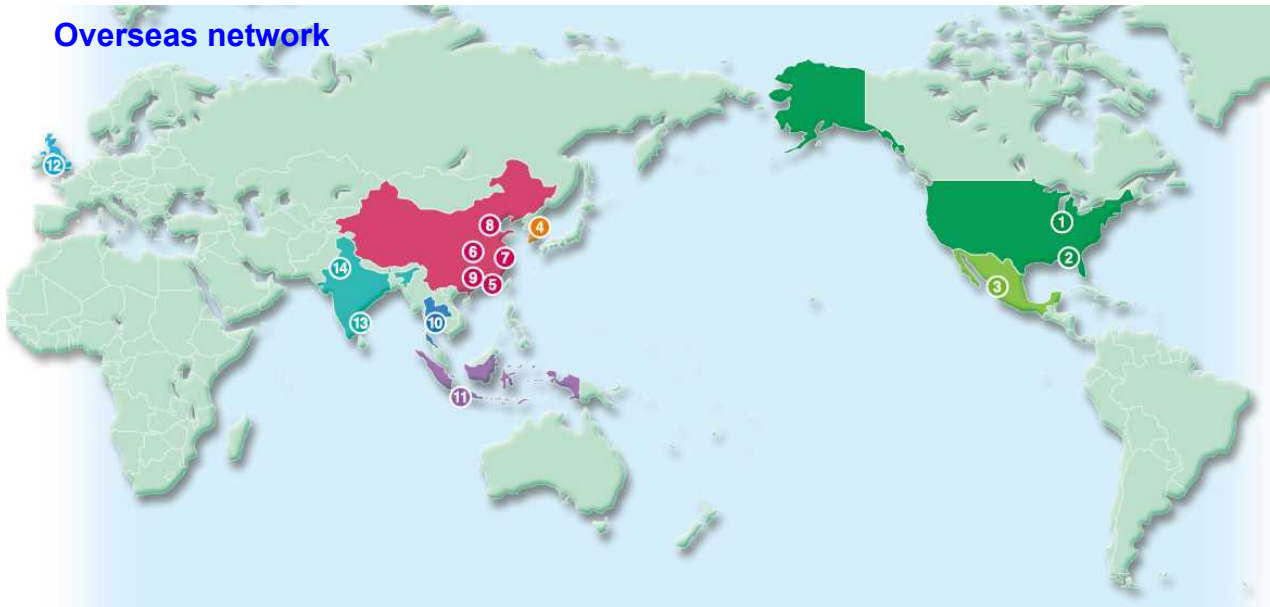
Company name	PIOLAX, INC.
Establishment	September 1939
Description of business	Manufacturing and sales of coil springs, flat springs, wire forms, metal and plastic fasteners, and unit mechanism parts
Capital	2,960.97 million yen
Sales	62,480 million yen (Consolidated) (FY2019 ended in March 2020)
No. of employees	3,149 people (Consolidated)
Head office	51 Iwai-cho, Hodogaya-ku, Yokohama, Kanagawa 240-0023, Japan
Major customers	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Mazda Motor Corporation, Toyota Motor Corporation, Subaru Corporation, Mitsubishi Motors Corporation, Suzuki Motor Corporation, Daihatsu Motor Co., Ltd., Isuzu Motors Limited, Jatco Ltd., Yazaki Parts Co., Ltd., Nissan Shatai Co., Ltd., Hitachi Automotive Systems, Ltd., Aichi Machine Industry Co., Ltd., Mitsubishi Fuso Bus Manufacturing Co., Ltd., UD Trucks Corporation, TOTO Ltd.
Member organization	Japan Auto Parts Industries Association Japan Spring Manufacturers Association
Listed exchange	1 st section of the Tokyo Stock Exchange (Securities code: 5988)
No. of shares outstanding	39,254,100 shares
No. of shareholders	15,157 people

【Piolax Group Network】

Piolax Group has developed the network of products, technologies and manufacturing in Asia, North America and Europe targeting the global market.

Its worldwide network supports overseas local production of Japanese car makers and also responds to the needs of many overseas car makers.

Overseas network



1. Bases in overseas countries

- ① PIOLAX CORPORATION, Sales and Design Office (Michigan, U.S.)
- ② PIOLAX CORPORATION, HQ and Plant (Georgia, U.S.)
- ③ PIOLAX MEXICANA S.A. de C.V. (Nuevo Leon, Mexico)
- ④ PIOLAX CO., LTD. (Incheon, Korea)
- ⑤ DONGGUAN PIOLAX CO., LTD. (Dongguan, China)
- ⑥ WUHAN PIOLAX CO., LTD. (Wuhan, China)
- ⑦ SHANGHAI PIOLAX CO., LTD. (Shanghai, China)
- ⑧ SHANGHAI PIOLAX CO., LTD., Tianjin Branch (Tianjin, China)
- ⑨ SHANGHAI PIOLAX CO., LTD., Guangzhou Branch (Guangzhou, China)
- ⑩ PIOLAX (THAILAND) LTD. (Rayong, Thailand)
- ⑪ PT. PIOLAX INDONESIA (West Java, Indonesia)
- ⑫ PIOLAX LTD. (Lancashire, U.K.)
- ⑬ PIOLAX INDIA PRIVATE LTD. (Andhra Pradesh, India)
- ⑭ PIOLAX INDIA PRIVATE LTD. (Haryana, India)

2. Bases in Japan

- Head Office (Yokohama, Kanagawa)
- Yokohama Technical Center / Yokohama Branch (Same as above)
- Moka Plant / Moka Branch (Tochigi)
- Fuji Plant / Fuji Branch (Shizuoka)
- Nagoya Branch (Aichi)
- Nishi-Nihon Branch (Hiroshima)
- Shonan Center (Kanagawa)
- Nishi-Nihon Center (Fukuoka)

3. Subsidiaries in Japan

- PIOLAX H.F.S. INC. (Gunma)
- P.M.T. INC. (Tochigi)
- P.N.S. INC. (Tochigi)
- PIOLAX KYUSHU CO., LTD. (Fukuoka)
- PIOLAX MEDICAL DEVICES, INC. (Yokohama, Kanagawa)
- KHK SALES CO., LTD. (Same as above)
- PIOLAX BUSINESS SERVICE CO., LTD. (Same as above)

【Business Area】

1. Automotive-related business

Automotive-related business is a Piolax's core field earning about 90% of its sales.

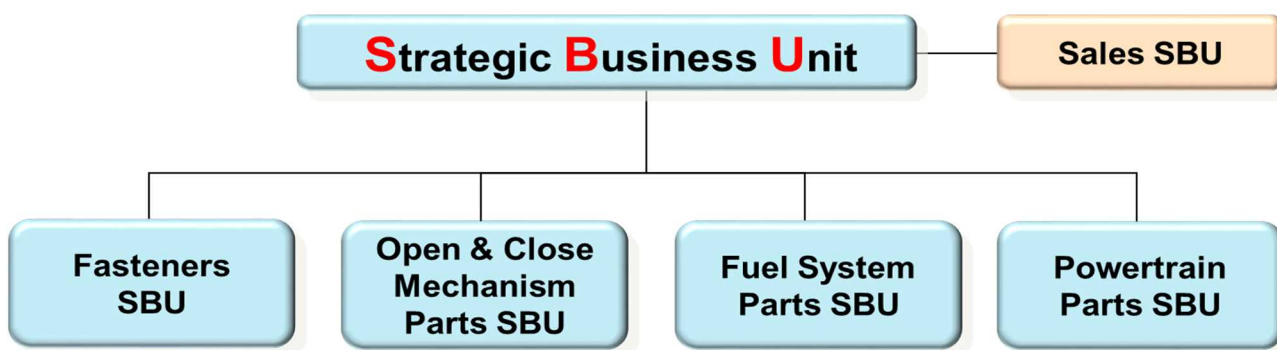
Piolax's strength is to be able to develop and manufacture both “metal” and “plastic” products focusing on elasticity of materials. With the strength, Piolax has been providing products satisfying various customer needs, and that has led to its development to date.

1) SBU system

Automotive-related parts which Piolax produces are fasteners, open and close mechanism parts, fuel system parts and powertrain parts, and the SBU (Strategic Business Unit) system is being introduced by product category.

Taking advantage of the SBU system, Piolax quickly responds to changes in the product markets and promotes integrated operation from development and manufacturing to sales and quality assurance by each Product SBU.

Piolax SBU system



Each Product SBU consists of divisions of marketing, development, production and quality assurance and formulates and executes its own strategies to flexibly respond to needs of the markets and customers.

2) Usage of Piolax parts

Powertrain parts



Retainer assemblies, snap rings, etc. used in the transmission and other powertrain mechanism.

Open & Close mechanism parts



Air dampers, latches, etc. used in the opening and closing mechanism of the glove box.

Clamps



Hose clamps to fasten a pipe and a rubber hose to prevent their separation or leakage.

Harness parts



Band clips, taping clips, etc. to bundle wires and harnesses running in a vehicle like blood vessels and fix them to a vehicle panel.

Fasteners

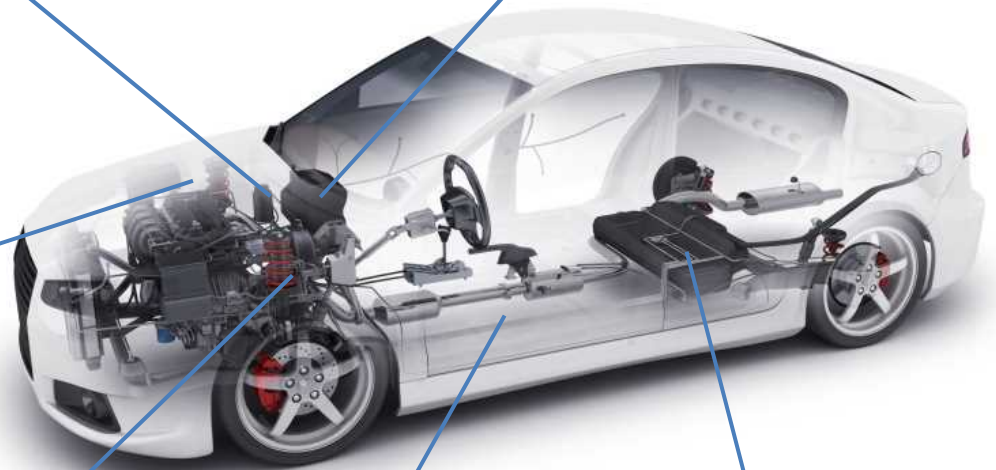


Metal and plastic fasteners like trim clips to fix interior and exterior parts and pipes to a vehicle.

Fuel system parts



Valves, connectors, and filters which are used to safely store and supply fuel.



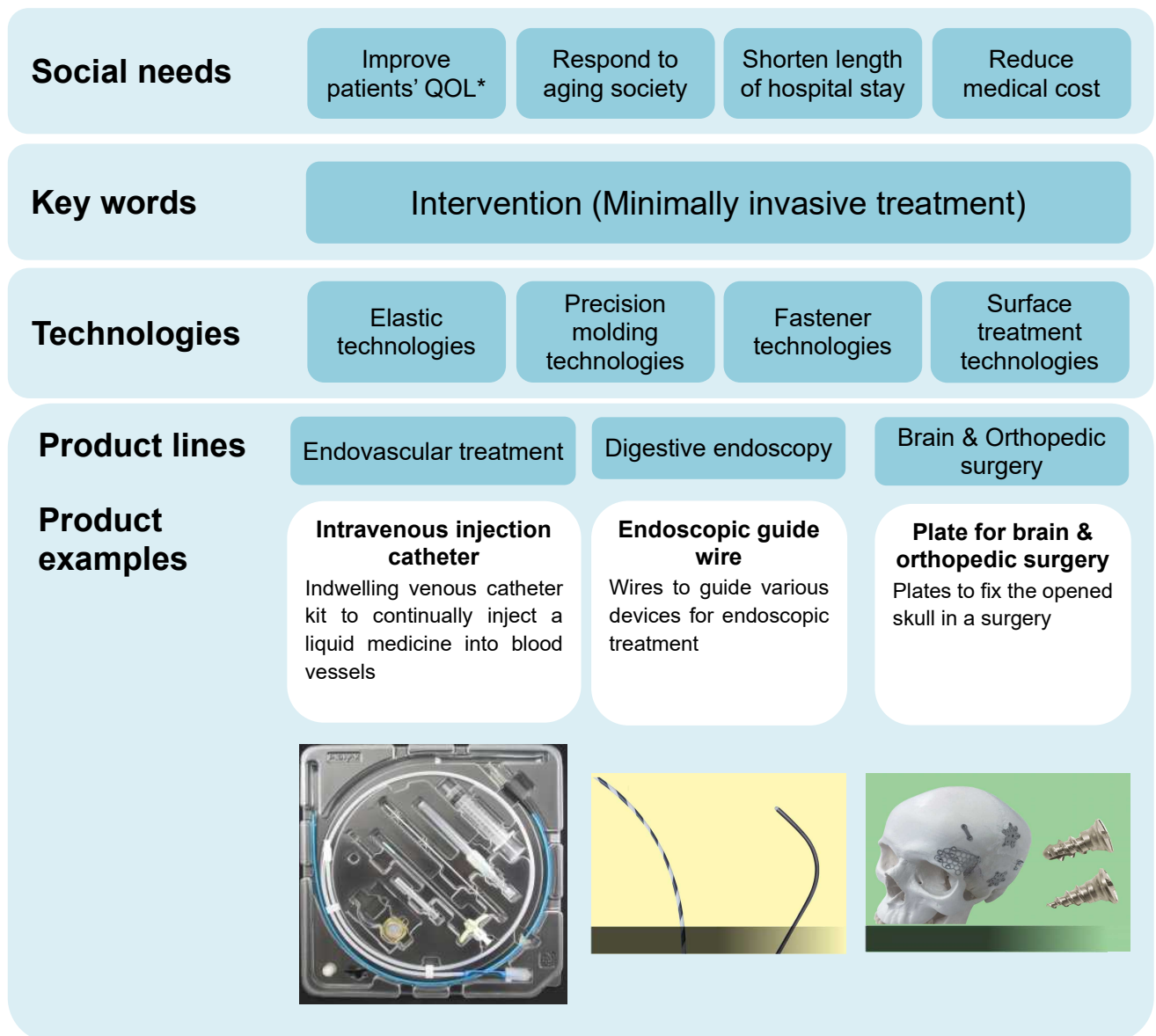
2. Medical device business

Piolax's subsidiary, PIOLAX MEDICAL DEVICES, INC., operates medical device business with the use of elasticity technologies which Piolax has cultivated in the course of developing and manufacturing auto parts.

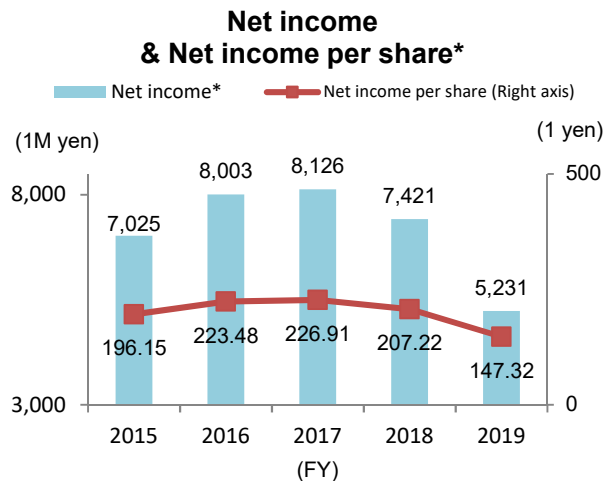
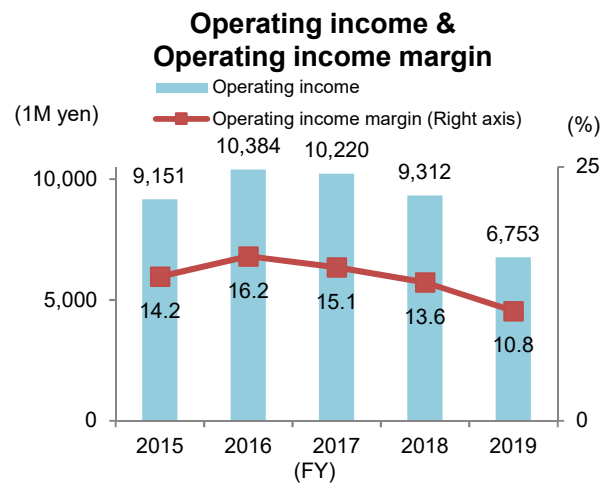
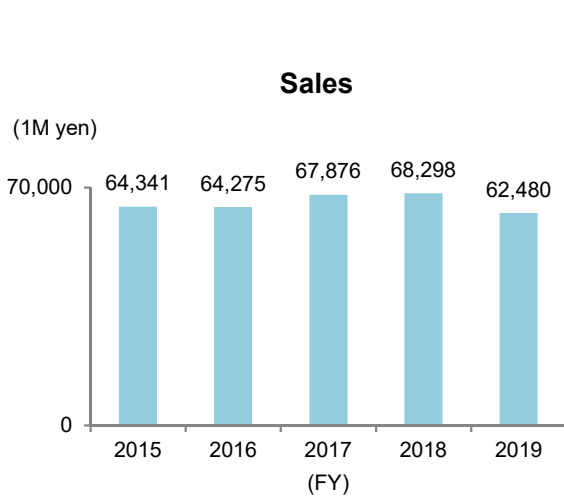
Conventional surgery treatment has various issues such as physical pains of patients, safety risk, long-term hospitalization, and high cost. Aiming to solving these issues, Piolax Medical Devices proposes "intervention (minimally invasive treatment)" in which necessary devices are delivered from a hole opened on the skin of a patient through blood vessels without putting a scalpel in the patient's body. Minimally invasive treatment is patient-friendly, offering safer and lower-cost treatment than surgery and enabling short-term hospitalization.

Applications which Piolax Medical Devices aims for

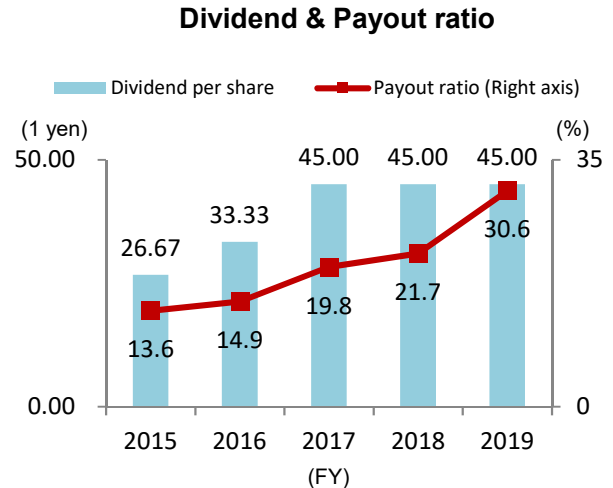
* QOL : Quality of Life



【Financial Highlights】 (Consolidated)



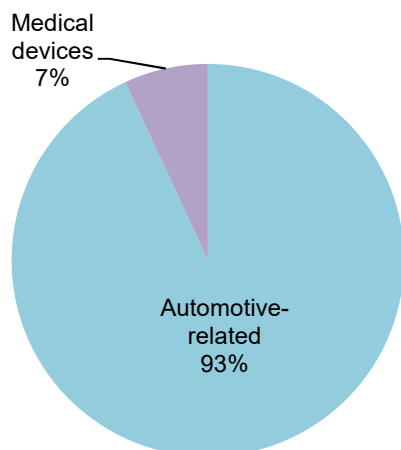
*Net income attributable to shareholders of the parent company



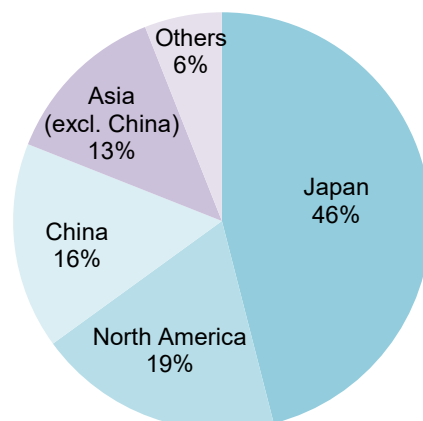
*Common stock was split in the ratio of 3 shares for each share held as of April 1, 2017.

*Dividend in FY2017 includes commemorative dividend of 5 yen for our 85th anniversary.

Sales by business area (FY2019)



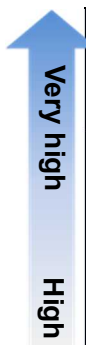
Sales by region (FY2019)



[Identification of Materiality]

From the two viewpoints, the Piolax Group and its stakeholders, we organized issues that should be addressed. For this, we used a “materiality matrix” to clarify the importance and positions of the issues.

<Materiality of the Piolax Group>

 Very high High	Stakeholders' expectations	Presence in local community Raw material Water and drain Biodiversity Labor-management relations Customers' safety and health Marketing and labeling	Energy Emission into the air Waste Employment Industrial safety and health Diversity & Equal opportunity
		Training and education Local community	Human rights assessment Customers' privacy
			Indirect economic impact
Importance for the Piolax Group			
		High	Very high

Our process to extract issues is as follows.

Step 1: Extraction of social issues

Based on 34 aspects of the triple bottom line (environmental, social, and economic aspects) reflected in the GRI Standard, we extracted social issues surrounding the Piolax Group, as well as social issues that stakeholders attach importance to or that they attach importance to when evaluating this Group.

Step 2: Prioritization

The issues extracted in Step 1 were prioritized based on:

- (1) The following three items for stakeholders' expectations:
GRI requirements, customer requirements, and general (shareholders, customers, employees, local communities, etc.) requirements;
- (2) The following three items for the importance of the Piolax Group:
 - Policies within the Group: President's (Group) policies, a code of conduct, environmental policies, etc.
 - In-house activities: council (sales, production, quality, design and administration) activities, company-wide environmental activities, etc.
 - Legal requirements: environment, employment stability, political measures, TSE regulations, etc.

Step 3: Validation

The issues identified in Step 2 were validated in light of the Piolax Group's medium-term business plan, President's policies, etc. and were approved at a Management Meeting. Our future task is to run the PDCA (Plan, Do, Check, and Act) cycle according to the materiality identified this time.

[Stakeholder Engagement]

In order to meet the needs and expectations of a wide variety of stakeholders, Piolax emphasizes “dialogue with stakeholders” to build trust.

We identify issues through our stakeholders and reflect these in our targeting and activities, in an effort to raise our corporate value.

Major stakeholders	Piolax's responsibilities/issues	Main dialogue/means
Customers	Providing safe, secure and reliable products through improved partnerships	<ul style="list-style-type: none"> - Development, manufacturing, and sales of high-quality, safe products - Development of next-generation products - Development of environmentally friendly products
Employees	Creating an environment where employees can show their ability and individuality	<ul style="list-style-type: none"> - Human resource development / personnel evaluation - Promotion of diversity - Labor-management council - Safety and health - Whistle-blowing system - Stress check
Suppliers	Conducting fair and equitable transactions and building relationships of trust	<ul style="list-style-type: none"> - Purchasing policy explanation meeting - Commendation system
Shareholders and investors	Increasing corporate value and appropriately disclosing information	<ul style="list-style-type: none"> - Shareholders' meetings - Financial results briefings - Small meetings for institutional investors - A variety of interviews for news
Local communities	Contributing to the development of local communities	<ul style="list-style-type: none"> - Local volunteer activities - Plant tours for local elementary school students - Participation in industry associations - Company information sessions for students, and acceptance of internship students

【Diversification Strategy】

Indicators of Piolax diversification strategy

Region	North America : ASEAN : China : Europe = 3 : 3 : 3 : 1
Product	<p>1) Increase sales of growing products to non-Japanese OEMs</p> <p>Growing products *1 : Mature products *2 = 3 : 7 ⇒ 4 : 6</p> <p>*1: Fuel system parts, Open & Close mechanism parts *2: Fasteners, powertrain parts, harness parts</p> <p>2) Build future product lines (environmentally friendly parts, parts for self-driving vehicles, safety parts).</p>
Customer	Sales ratio of non-Japanese OEMs = 20%
Business	Ratio of medical device business = 6% ⇒ 10%

<Diversification of products>

- 1) Raise the ratio of growing products (fuel system parts and open and close mechanism parts) to expand sales to non-Japanese OEMs.
- 2) Build future products (environmentally friendly parts, parts for self-driving, safety parts, etc.)

Fuel system parts with high expectations responding to environmental regulations and safety



Promising open & close mechanism parts for global sales expansion



<Diversification of customers>

Piolax is stepping up sales with non-Japanese (Western, Chinese, and Korean) OEMs.

Piolax has formed a business alliance with ARaymond (France) since October 2017. Using its management resources, Piolax held a product exhibition at Renault (Paris) for the first time in February 2020.



Piolax's product exhibition at Renault headquarters (Paris)

[Other Activities]

Design and Development

As a development-proposal type company with high creativity and reliable technology, Piolax performs design and development activities in Yokohama Technical Center as a main center and in its overseas sites in the U.S., the U.K, South Korea, China, Thailand, and India, and has established a system enabling customer needs to be understood and transformed into a drawing.

Yokohama Technical Center, serving as a global center for design and development, has the sales, development, and purchasing departments on the same floor to provide an environment achieving seamless cooperation between departments, and is promoting the “synchronization” and “homogenization” of development capabilities on a global level.

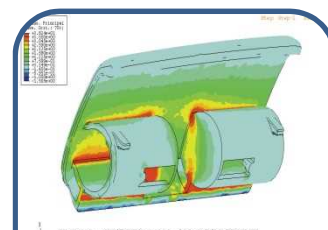
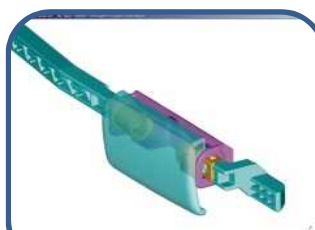
Product testing equipment is located in three business sites: Moka Plant, Fuji Plant, and Head Office, and a structure where optimal quality evaluation can be conducted is achieved.



Concept study meeting



Drawing review



Layout study and structure analysis by digital mock-up



Environmental evaluation of products & Mounting endurance test

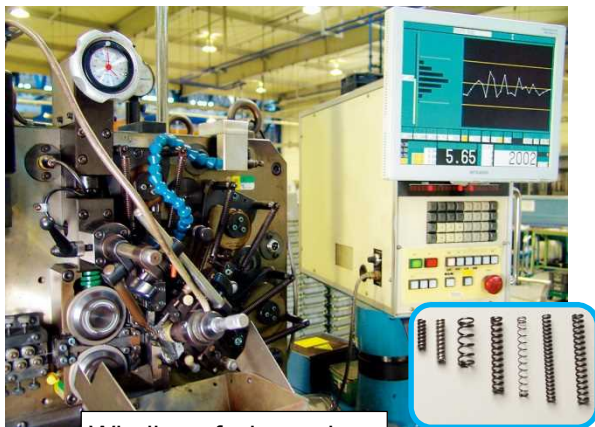


SOC evaluation of materials

Production Engineering

Aiming to build the manufacturing engineering capabilities suitable for a development-proposal type company and to achieve global homogenization, we have located our main manufacturing lines for fasteners and open-close mechanism parts in Moka Plant and those for fuel system parts and powertrain parts in Fuji Plant. We are making efforts to eliminate loss through continuous improvement, and to improve global productivity and develop new manufacturing methods.

Our processes



Winding of wire springs



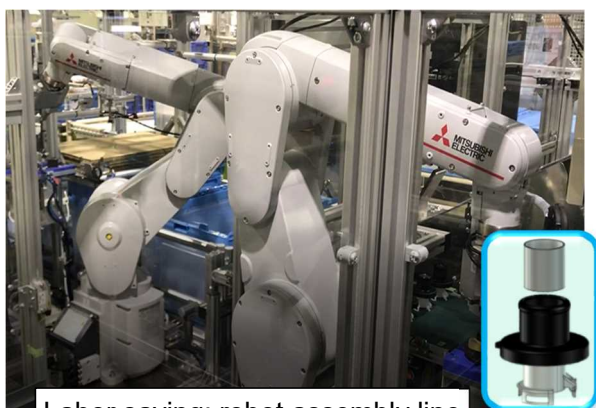
Pressing of flat springs



Injection molding



Cell production line



Labor saving: robot assembly line



Automation: flexible assembly line

[Corporate Governance]**<Basic Concepts>**

Piolax understands that corporate governance is a fundamental framework for corporate management to comply with laws and regulations, observe ethics, and ensure transparency, in terms of its relationship with a variety of stakeholders including shareholders, customers, employees, and suppliers. Recognizing that enhancement of our corporate governance as a top priority, we are taking action.

(1) Securing shareholders' rights and equity

In order to practically secure shareholders' rights, we will comply with laws and regulations, and establish an environment where all shareholders can appropriately exercise their rights, with due consideration also to non-Japanese and minority shareholders.

(2) Appropriate collaboration with stakeholders other than shareholders

Piolax considers its corporate value as being more than just financial value, and as a sum of financial value and social value closely connected to the financial value. We will implement appropriate collaboration based on our visions for each categories of stakeholders such as employees, customers, suppliers, creditors, and communities. The Piolax's board members and employees regard compliance as a top priority and respect all stakeholders' rights and positions, and will exercise leadership to accomplish a corporate culture where collaboration with all stakeholders is achieved.

(3) Appropriate information disclosure and ensuring transparency

In order to voluntarily provide a clear explanation of financial information, as well as non-financial information such as business strategies/challenges, risks, and governance, the top management themselves will make efforts in providing information that is well-balanced, easy to understand, and very useful.

(4) Responsibilities of Board of Directors

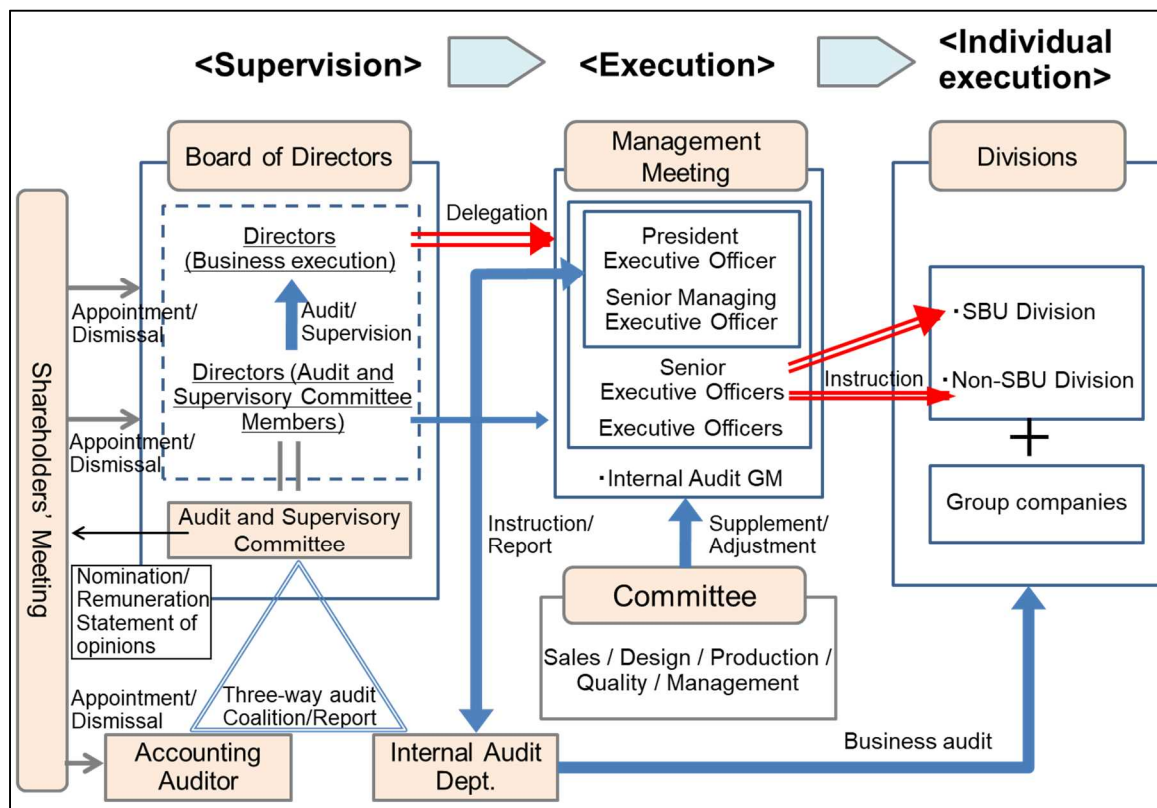
Based on its fiduciary responsibility and accountability to the shareholders, the Board of Directors will adequately fulfill its roles and responsibilities such as planning and executing important corporate strategies and establishing internal control and risk management systems, in order to ensure Piolax's continued growth, enhance its medium- to long-term corporate value, and improve its earning power, capital efficiency and so on.

(5) Conversations with shareholders

The top management, including the President, will engage in a variety of investor and shareholder relations activities to promote constructive and purposeful conversations with the shareholders in order to ensure Piolax's continued growth and to enhance its medium- to long term corporate value.

<Corporate Governance System>

Piolax has adopted the existing system, believing that its continued growth and the enhancement of its medium- to long-term corporate value will be ensured by strengthening the audit and supervisory function for the Board of Directors and by setting up a monitoring board. According to the resolution of the 100th annual shareholders' meeting held on June 28, 2016, Piolax has transitioned from a company with a Board of Company Auditors to a company with an Audit and Supervisory Committee.



- The Board of Directors is chaired by the President and consists of nine Directors. It is the highest organization that makes decisions about important business objectives, business strategies, etc.
- The Audit and Supervisory Committee is chaired by the chairperson of this committee and consists of three Directors who are Audit and Supervisory Committee Members (one full-time and two part-time Audit and Supervisory Committee Members). Using the internal control system, this committee conducts audit for the performance of the duties of Directors and for the overall performance of duties of management of group companies.
- The Nominating and Compensation Advisory Committee is chaired by the Senior Managing Director and consists of five Directors, the majority of which are Outside Directors. It was set up as a voluntary advisory body for the Board of Directors with a view to fairly determining the selection/removal of Directors and remuneration they receive.

- Management Meetings are chaired by the Senior Managing Director and participated by Directors and Executive Officers. They are held to make decisions necessary for the execution of specific operations, based on the management policies defined by the Board of Directors.
- Piolax has selected Ernst & Young ShinNihon LLC as an accounting auditor and established an environment where a fair and impartial audit is conducted.

<Implementation of Measures Taken for Corporate Governance>

At Piolax, a regular board meeting is held once a month to determine basic management policies and important matters and to supervise the execution of duties by Directors. An executive officer system is adopted, and part of the Board of Directors' authority to execute the duties is delegated to the Management Meeting in order to accelerate the company's decision-making process. Managerial information is shared between the Board of Directors and the Management Meeting to thoroughly implement the operation policies and to establish a system that increases the sensitivity to management risk.

<Internal Control System>

While maintaining the "Basic Policy on Internal Control System" and "Basic Policy for Internal Control System concerning Financial Reporting", Piolax is continuing the activities for its Group's internal control system, including establishing and operating it and evaluating the effectiveness of it, under the internal control structure headed by the President, in order to achieve the sound, efficient, and fair corporate control.

Specifically, we have established "company-wide internal control", "internal control for business processes", "internal control for accounts settlement and financial reporting" and "internal control for IT" as part of our internal control system, and we have prepared the checklists, job assignment tables, business process descriptions, business flow charts, risk control matrices, etc. for each of these controls, and conducted evaluation.

Link: [Corporate Governance Report](#)

Link: [Basic Policy on Internal Control System, Basic Policy for Internal Control System concerning Financial Reporting](#)

[Risk Management]

We at Piolax are striving to prevent any potential risk in the business activities. We are also striving to minimize the impact of a risk on the business and company if it occurs.

<Information Security System>

Piolax has formulated the “Guidelines for Prevention of Confidential Information Outflow” and has taken drastic and effective measures against the risk of leakage of confidential information, striving to protect information assets. Based on these guidelines, we are performing activities to improve and enhance our confidential information management system including information security, and to ensure the proper management of corporate information. As a response to cyber attacks that have become more sophisticated and complex in recent years, we are providing in-house education and email attack training on a global basis.

<Business Continuity>

In order to quickly grasp the extent of damage and recover as early as possible if a large-scale disaster occurs, Piolax has formulated a BCP (Business Continuity Plan), developed a safety confirmation system and emergency contact network, and has deployed stockpiles. We continue to perform company-wide BCP drills, assuming responses that should be taken after a natural disaster, in order to enhance our employees’ capabilities.



<Disaster Countermeasures>

For preparation for disasters, all employees carry a card-sized “Disaster Response Manual” containing emergency action guidelines.



[Compliance]

The Piolax Group has set up the “Compliance Committee” chaired by the President as an organization to administer overall compliance practices. This committee is establishing a structure to promote compliance management that complies with laws and regulations, the articles of incorporation, and Piolax’s management policies.

<Piolax Code of Conduct>

With its corporate identity of being a “pioneer in creating elasticity,” the Piolax Group is committed to achieving management that can broadly contribute to industry and society in the automotive and medical fields. For operating the business activities, this Group has established a basic code of conduct so that all board members and employees act with high ethical standards as a business person with good sense, and in addition this, it is trying to increase their compliance awareness by providing periodic education.

Link: [Piolax Code of Conduct](#)

<Elimination of Antisocial Forces>

The Piolax Group will take a resolute stance against unreasonable demands by any antisocial forces, and will have no relationship with them. The relevant departments gather information about antisocial forces in cooperation with external professional organizations, and disseminate the information throughout the company by training, etc.

<Efforts to Control Conflict Minerals>

Considering the current situation where conflict minerals surveys have been implemented in full swing in response to the U.S. Financial Regulatory Reform Act (the Dodd-Frank Act), we have begun these surveys in cooperation with suppliers. We recognize the importance of the responsible procurement of minerals and will make efforts for this.

<Whistle-blowing System>

Piolax has set up whistle-blowing contact points to obtain information about compliance. An employee who discovers a compliance problem can report it directly to the contact department. Such a report can also be provided anonymously through a whistle-blowing contact point operated by a third party to ensure whistle-blower protection.

[Environmental Report]**<Piolax Global Environmental Policy>**

The Piolax Group has established its Global Environmental Policy, and is promoting activities to minimize the impact of its corporate activities on the global environment by making efforts for energy conservation, compliance with environmental laws, and environmental protection. This Environmental Policy is updated every three years to reflect requests from the international community and from the stakeholders.

Basic policy

The Piolax Group will work to improve global environment by efficiently producing “springs” and other elastic products essential for our daily lives and industrial activities and by reducing the amount of energy used and wastes.

To achieve this goal, we establish an environmental policy and promote environmental management activities.

Slogan

Pursue growth in harmony with the environment.

Action guideline

The Piolax Group will identify the environmental impact at business activities in regard to design, development, production and sales of metal springs, plastic molded parts and small size unit parts, make every effort in prevention of environmental pollution, and pursue continuous improvement of environmental management system integrated with management in order to achieve the environmental improvement goal.

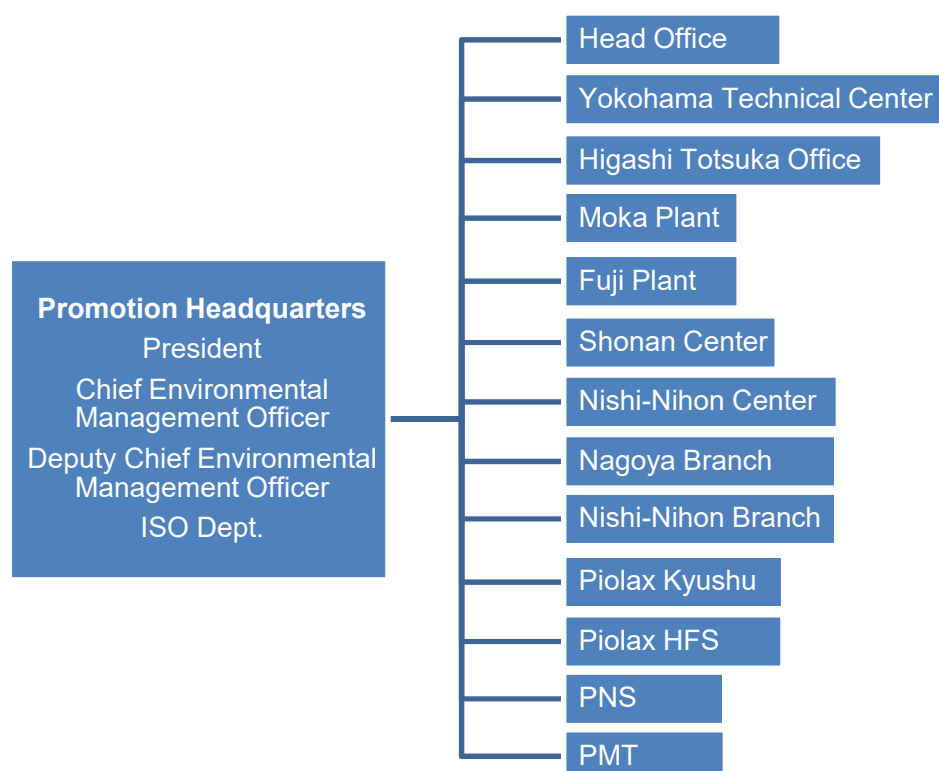
We will undertake the following items as priority themes:

- 1) Promote environmental improvement activities synchronizing with management policy.
- 2) Use energy reasonably, and undertake usage of sustainable resources.
(Practice “3R”: Waste reduction and effective use of resources)
- 3) Develop methods for green procurement, eco-friendly products, manufacturing, and transportation in a life cycle perspective.
- 4) Take constructive actions for environmental laws and regulations, and comply with customer requirements.
- 5) Engage in CSR activities for environment.
- 6) Undertake environmental protection (wildlife preservation).

<Piolax Environmental Promotion System>

A promotion headquarters having a site's environmental manager and secretariat is organized at each Piolax business sites and group companies in Japan to operate the ISO14001: 2015 environmental management system.

It plans to include the production site of Piolax Medical Devices in FY2020.



<International Certification of Global Environmental Management>

Piolax obtained the international certification of ISO14001 in April 2002, and now six sites in Japan and seven sites overseas get certified for ISO14001: 2015. We will promote our activities to increase the number of certified sites systematically.

<Sites which get certified for ISO14001>

Japan	Head Office	Moka Plant	Fuji Plant
	Yokohama Technical Center	Shonan Center	Nishi-Nihon Center

Overseas	PIOLAX CORPORATION (U.S.)	PIOLAX LTD. (U.K.)	PIOLAX CO., LTD. (Korea)
	PIOLAX (THAILAND) LTD.	DONGGUAN PIOLAX CO., LTD.	
	PT. PIOLAX INDONESIA	WUHAN PIOLAX CO., LTD.	

<Wastewater Improvement and Biodiversity>

In response to the establishment of environmental standards for nitrate nitrogen contained in wastewater from the heat treatment process, Moka Plant changed its wastewater treatment facility from that using the conventional acid-alkali treatment to that using the biological denitrification method that can remove nitrogen compounds by the action of microorganisms.

This gives consideration to environmental protection and biodiversity in the watershed area (the Kinugawa River system) for this plant. The new facility has saved approximately 170 tons of water per day compared to the conventional one, and has reduced the impact on water resources.



Moka Plant: Wastewater treatment facility using the biological denitrification method

<Disaster Risk Preparedness>

To respond to climate change, Piolax's Moka Plant, Fuji Plant, Shonan Logistic Center, and Piolax Medical Devices have installed generators, as part of a plan to continue the plant's basic functions in the event of a long power outage due to a natural disaster. To minimize the risk of a power outage, Moka Plant has prepared to supply power during a power outage to the heat treatment line and water supply system, and Fuji Plant has done it to the plant's office and part of the production facilities, and Shonan Logistic Center to the order-receiving system, and Piolax Medical Devices to the logistics activities and sterilization rooms.

In addition, Moka and Fuji Plants have installed adjustment ponds to reduce the risk of flooding, the impact of which has expanded in recent years.



Generators

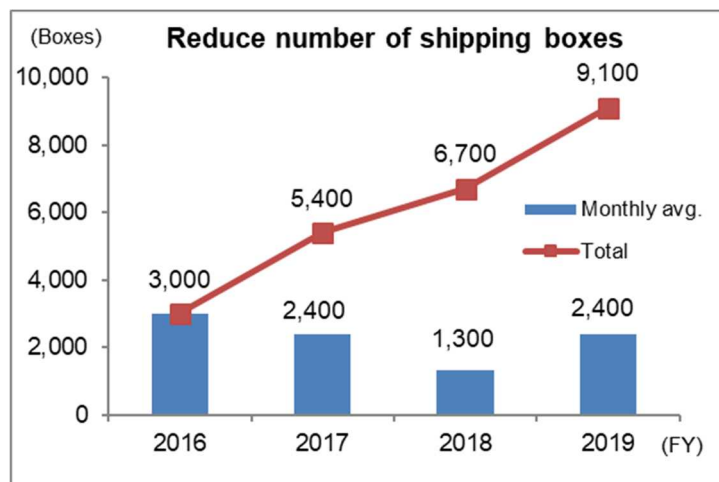
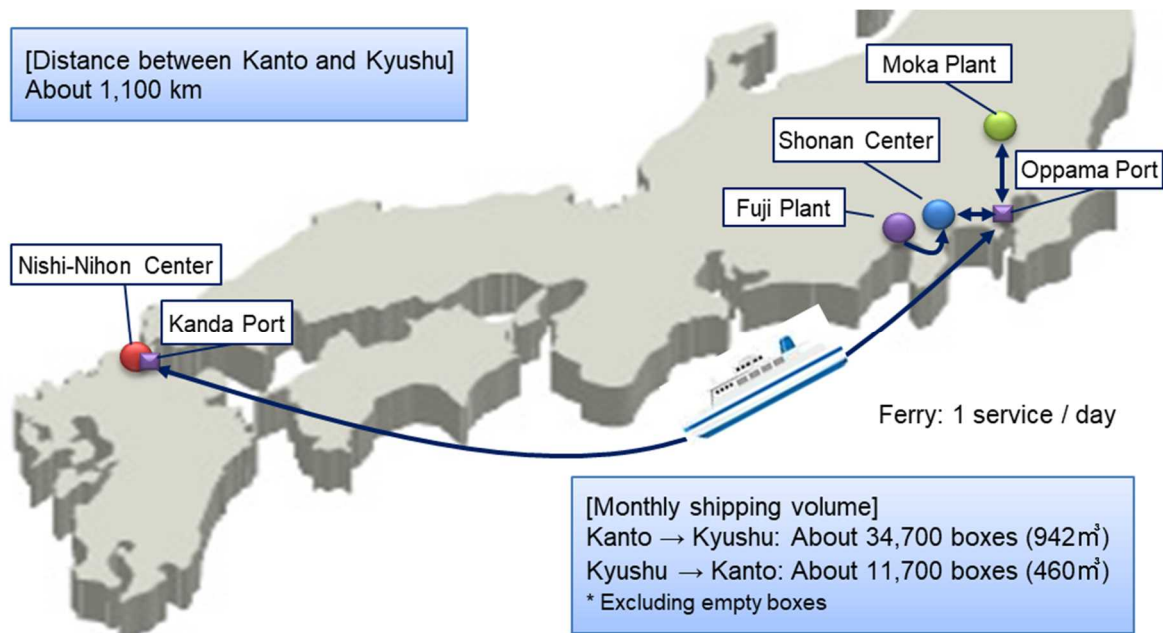


Adjustment pond

<Efforts by Logistics Departments>

As an effort to reduce greenhouse gas emissions during product transportation to our customers, we have implemented a modal shift by ferry for logistics between our production plants in Honshu (the main island of Japan) and our customers in the Chugoku and Kyushu regions. For results in FY2019, we reduced CO₂ emissions by approximately 500 tons.

In addition, we have reduced the number of containers (transportation frequency) by increasing the number of products put in a packing box, and for overseas exports by increasing the number of products put in a container and by using high-cube containers.



<Efforts by Design and Development Departments>

Survey of environmentally hazardous substances

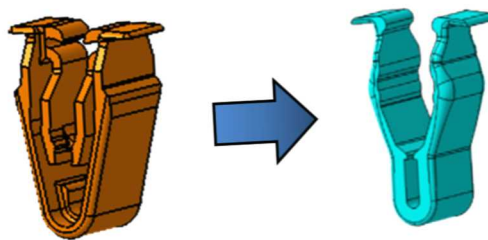
Yokohama Technical Center tracks revisions to each country's laws/regulations and customer requirements related to environmentally hazardous substances and compiles the information into a database for use by development and production engineering departments, in an effort to provide our customers with safe products.

Our environmentally conscious products

Led by Yokohama Technical Center, we have been developing products that contribute to the environment. This includes lighter fasteners in response to fuel efficiency regulations, powertrain units with increased efficiency, shared components of products for enhancing convenience in a vehicle, and fuel system products complying with fuel regulations in each country.

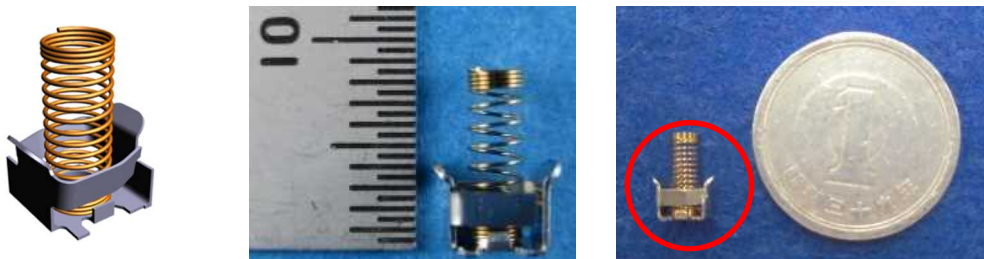
Development of fasteners - Lighter, smaller clips for securing interior parts of vehicles

We have introduced plastic interior clips to replace conventional metal clips. We have continued our efforts to develop further lighter clips, which has achieved a 45% weight reduction compared to the previous ones with the same specifications for the same portions.



Development of powertrain parts - Small spring assembly parts

The following is a spring used for the driving electric motors and engine change units for electric vehicles. This spring is mounted on a retainer (pedestal) in order to facilitate assembling to the units and to stabilize the spring response by the pedestal.

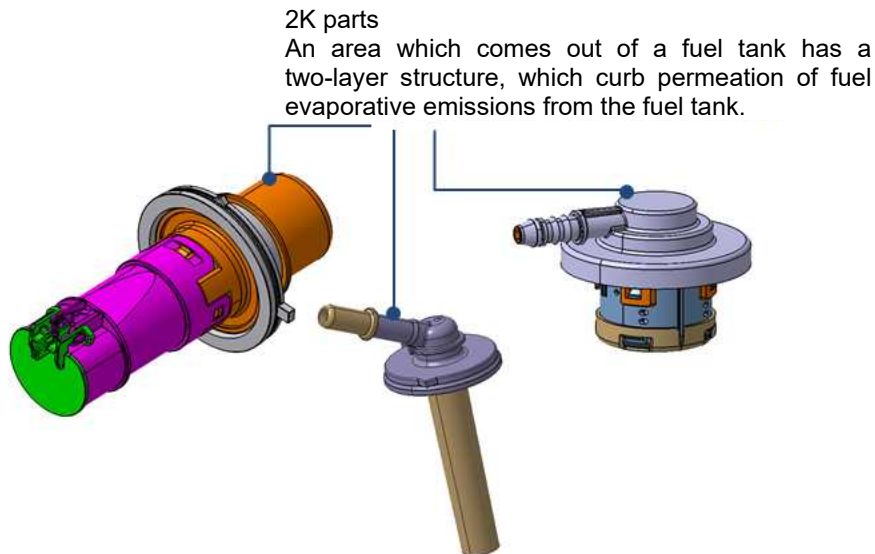


Development of fuel system parts - 2K* parts for automotive fuel tanks

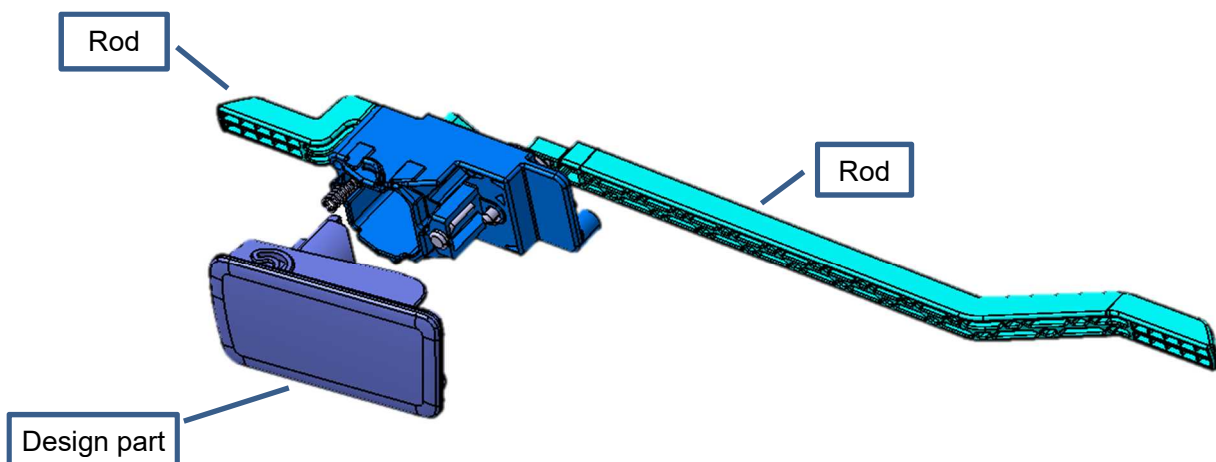
Fuel evaporative emissions that permeate automotive fuel tanks are a cause of photochemical oxidants. To reduce the permeation amount of these emissions, we have developed fuel tank components using 2K technology, and have been providing a series of products that comply with fuel permeation regulations being strengthened in various countries.

* 2K: Indicates two-color molding technology using adhesive resins.

This term comes from the German word "2 komponente" (two components).

**Development of open & close mechanism parts - Shared components of compartment door latches for passenger seats**

The compartment door latches, which have been improved to be easily operated from both driver's and passenger's sides, contribute to the reduction of greenhouse gas emissions from a productivity perspective by standardizing the basic mechanism parts other than the design part and operating rods.



<Environmental Performance Data>

Greenhouse gases from corporate activities

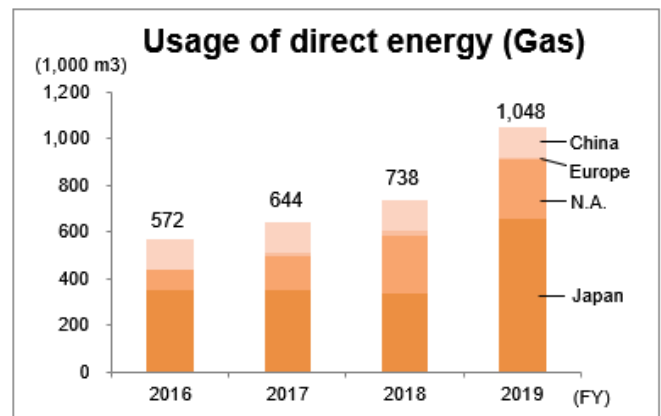
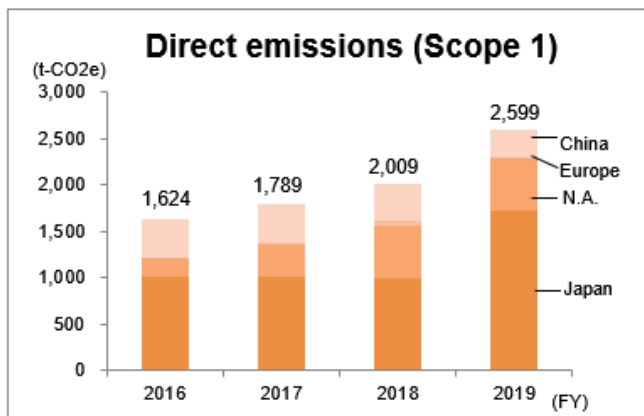
The Piolax Group collects data of greenhouse gas emissions generated by its corporate activities with classification into: direct emissions from the supply chain (Scope 1), indirect emissions from the supply chain (Scope 2), and other indirect emissions (Scope 3). For Scope 1 and Scope 2 in FY2019, we totaled the data for all production sites, including Piolax Medical Devices. For Scope 3, we have conducted surveys for all 15 categories since FY2019. We aim to further improve the accuracy of data for Scope 3.

Scope 1 and Scope 2

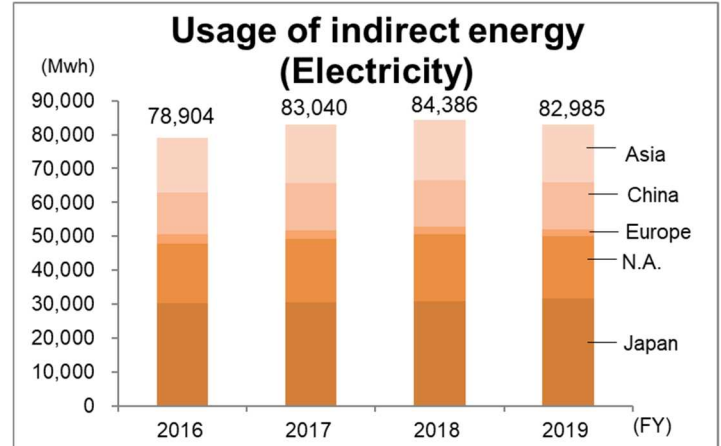
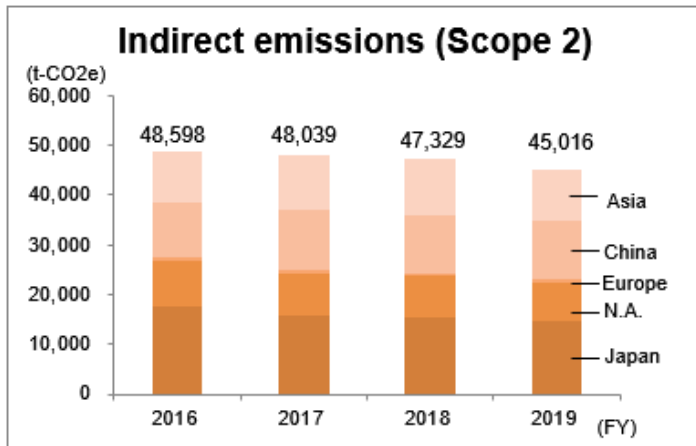
(Unit: t-CO₂e)

Classification		FY2016	FY2017	FY2018	FY2019
Total emissions in the supply chain	Scopes 1+2	50,222	49,828	49,338	47,615
Direct emissions (Gas)	Scope 1	1,624	1,789	2,009	2,599
Indirect emissions (Electricity)	Scope 2	48,598	48,039	47,329	45,016

- Scope 1: For emission factors in Japan, the emissions basic unit database (ver. 3.0), which is provided by the Ministry of the Environment for calculating organization's greenhouse gas emissions, etc. from the supply chain, was used.
For overseas, the contracted company's values were used.
- Scope 2: Emission factors were calculated using the standard values for the locations.
Japan: National average factor = The value for general electricity transmission and distribution business operators excluding Okinawa
Overseas: IGES, carbon footprints, Climate Transparency, UK Government GHG conversion factors.



- Japan: Piolax Medical Devices included since FY2019.



- Japan: Piolax Medical Devices included since FY2019.
- Scope 2: Emission factors in Japan and overseas were calculated using the standard values for the locations.

Scope 3

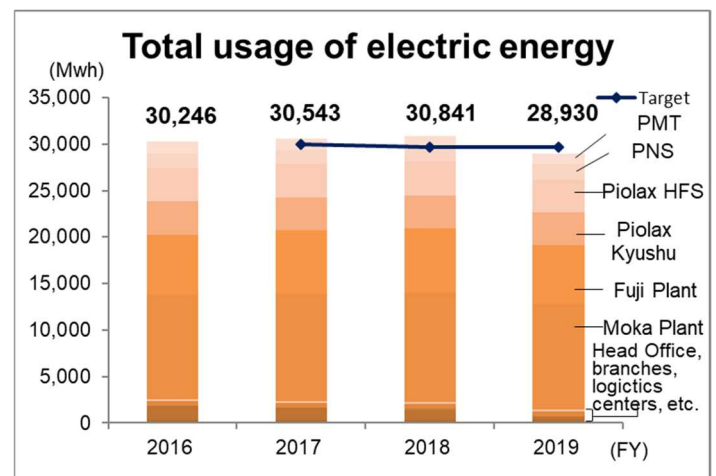
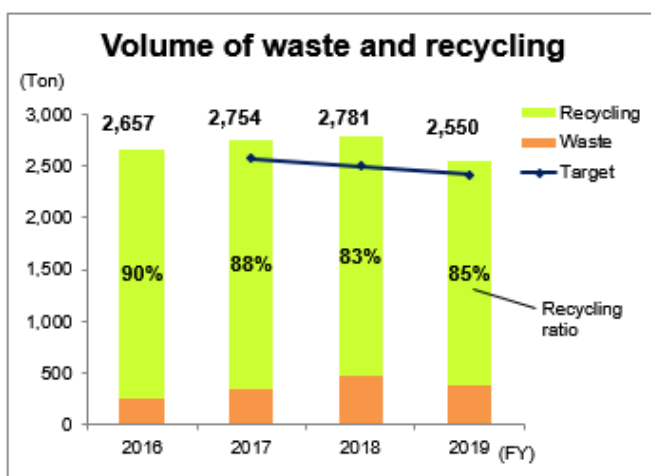
(Unit: t-CO₂e)

Category	Contents	FY2019	Remarks
1	Products and services purchased	63,207	Materials: Piolax Group Packing materials and paper: Overseas sites are excluded
2	Capital goods	19,579	Equipment and mold investment: Piolax Group
3	Activities related to fuel and energy not included in Scopes 1 and 2	6,310	Electricity and gas: Piolax Group
4	Transportation and delivery (upstream)	968	Materials and purchased products: Overseas sites are excluded
5	Waste from business activities	204	Industrial and general waste: Overseas sites are excluded
6	Business trips	148	Overseas sites are excluded
7	Employee commuting	479	Overseas sites are excluded
8	Lease assets (upstream)	2,253	Contract warehouses for production plants in Japan, etc.
9	Transportation and delivery (downstream)	609	Transportation within Japan (ton-kilometer method)
10	Processing of products sold	NA	No data obtained
11	Use of products sold	NA	No data obtained
12	Disposal of products sold	NA	No data obtained
13	Lease assets (downstream)	61	1st floor in Head Office
14	Franchise	NA	Not applicable
15	Investment	132	Based on investment destinations identified as of Aug. 20, 2020
Total		93,950	

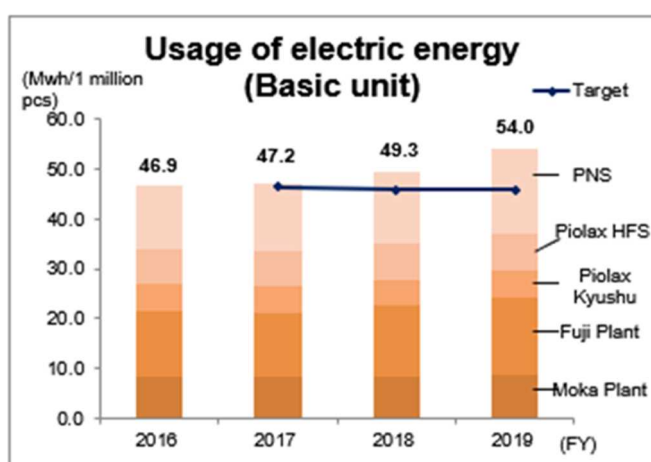
- Scope 3: For emission factors in Japan, the emissions basic unit database (ver. 3.0), which is provided by the Ministry of the Environment for calculating organization's greenhouse gas emissions, etc. from the supply chain, was used:
LCI database IDEAv2 (for calculating greenhouse gas emissions from the supply chain)

Medium-term environmental targets and results

Using FY2016 as a benchmark year, Piolax and its group companies in Japan (four group companies excluding Piolax Medical Devices) performed activities with the following targets to be achieved by FY2019: reducing total waste by 9% including recycling; reducing total electric energy usage by 2%; and reducing electric energy usage per basic unit (production volume of one million pieces) for production plants (three group companies in Japan excluding Piolax Medical Devices and PMT) by 2%. The results were: a total waste reduction of 4%, not achieving the target; a total electric energy usage of 4.4%, achieving the target; and the electric energy usage per basic unit being increased by 15 %, not achieving the target. We will strive to improve the electric energy usage per basic unit.



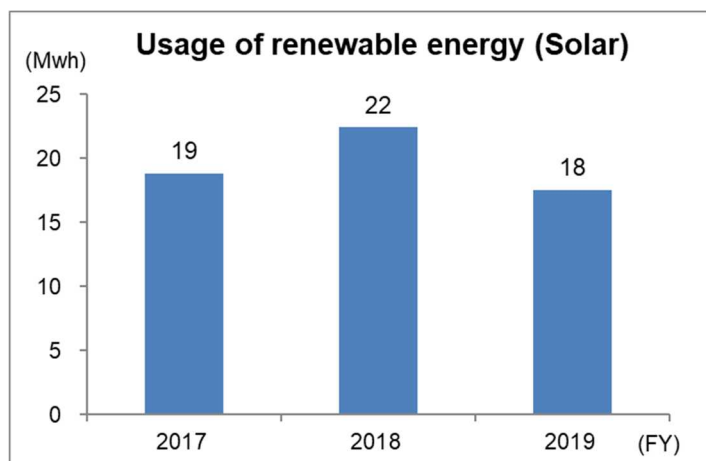
- Total waste and total electric energy usage: Piolax and its four group companies in Japan (excluding Piolax Medical Devices)



- Electric energy usage per basic unit of production volume: Piolax and its three group companies in Japan (excluding Piolax Medical Devices and PMT)

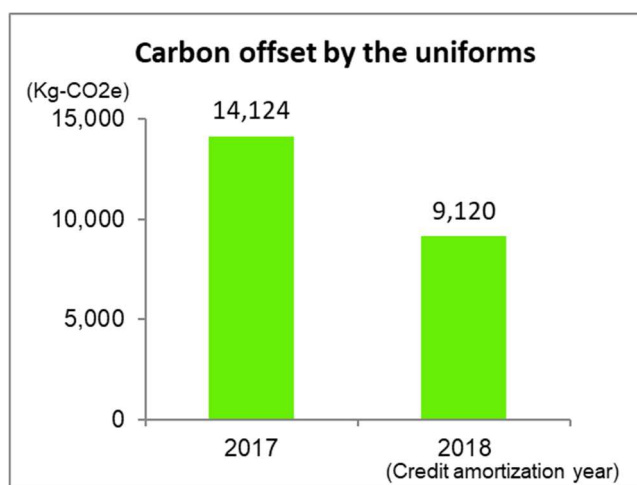
Approaches to renewable energy

Piolax U.K. installed solar panels on the roof of its production plant in 2017 and started power generation in March of the same year. Its reduction results of greenhouse gas emissions in FY2019 was 4.5 (t-CO₂) according to the location-based method, which accounted for 1% of the result for electric usage in Piolax U.K. and 0.01% of that of the entire Piolax Group. We will consider the introduction of renewable energy from a long-term perspective.



Approaches to carbon offset

Piolax and its group companies in Japan purchase carbon-offset uniforms (work clothes). Carbon credits for the uniforms contribute to energy-saving projects, such as the Meitetsu Cleaning's project for adopting gas-type boilers and the introduction of heat-recovery heat pumps in Nagoya University Hospital.

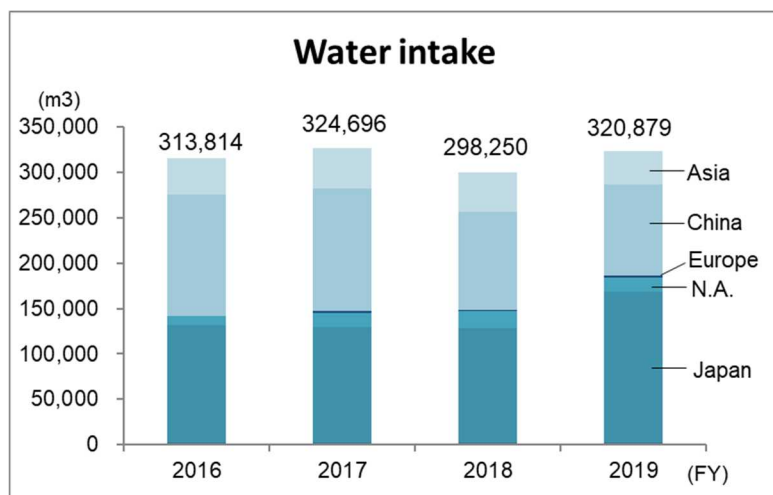


Water intake data

The Piolax Group obtains the water intake data to manage water usage. In FY2019, the water intake increased by 7.6% compared to FY2018. This increase was due to the addition of water intake data for Piolax Medical Devices, our group company in Japan, and due to the change of the electric cooling system at the PMT's molding workplace to a system using groundwater.

In the Piolax Group, water intake from groundwater accounts for 46% of the total water intake in FY2019, shown in the graph below.

In FY2019, water intake from water stress areas (Mexico and India: water stress areas with extremely high risk according to AQUEDUCT) was 10,560 m³ (Mexico: 3,273 m³ of groundwater; India: 7,287 m³ of industrial park water).



【Quality Report】

<Piolax Global Quality Policy>

As an expected company, the Piolax Group will step up stable manufacturing aiming to further improve customer satisfaction and increase corporate value.

Basic policy

Deliver quality of the greatest satisfaction to customers.

Action guidelines

Seven Action Guidelines are set in order of major manufacturing processes from design development to production.

1. Meet customer needs by achieving robust design.
2. Build high quality process to secure design quality.
3. Enforce 5S and create a clean and safe work environment.
4. All good parts by following work standards and procedures.
5. Quality check is mandatory when trouble or change occurs.
6. Train operators to be keen and alert to “quality issues”.
7. Continuous quality improvement by all employees.

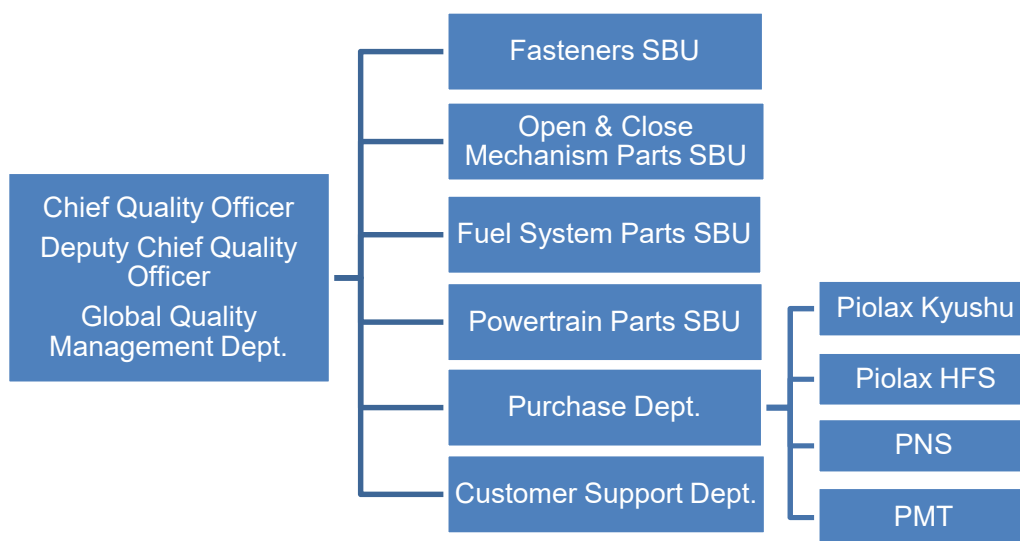
<International Certification of Global Quality Management>

Piolax has continued its efforts to obtain international certifications of quality management: it obtained QS9000 in 2001, followed by ISO9001, TS16949, and IATF16949: 2016 in 2017. Its ten group companies overseas have all obtained IATF16949: 2016. Concerning the production group companies in Japan, Piolax Kyushu and Piolax HFS have got certified for ISO9001: 2015, followed by PNS since FY2019. Also, Piolax Medical Devices has got certified for ISO13485: 2016 (medical devices quality management system). Piolax will endeavor to raise the level of international quality standards systematically as a group.

<Quality Management System>

Piolax and its group companies in Japan have established a quality management system led by the Chief Quality Assurance Officer, the Deputy Chief Quality Assurance Officer, and Global Quality Management Department as described in the Piolax domestic quality assurance system diagram for the purpose of taking action by Product SBUs, Purchase Department, and production subsidiaries with expertise specific to product characteristics. The integrated quality assurance system from production and product delivery is also in place including Customer Support Department which delivers products to customers.

Piolax quality assurance system diagram in Japan



<Global Quality Meeting>

Global Quality Management Department holds the Global Quality Meeting four times a year to raise the level of quality assurance operations at overseas bases. Once a year, quality managers from all overseas bases gather in Japan and receive training programs for developing quality assurance leaders with the aim to advance the quality of work globally.

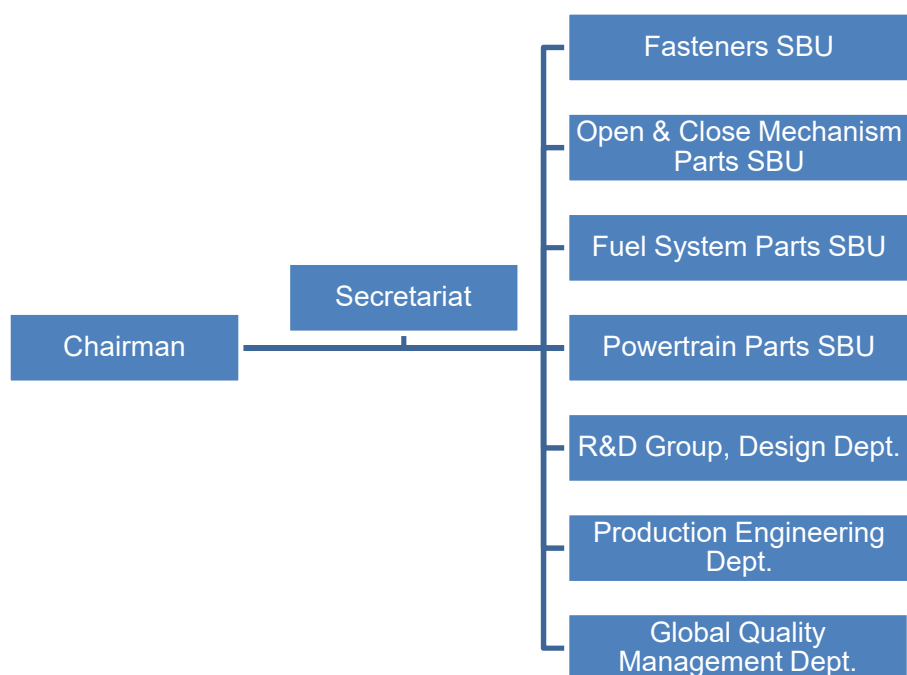


[Value Chain Engagement]

<Global Engineering Standards>

Since 2006, Piolax has been establishing the Piolax Engineering Standards (PES) based on the idea of the Japanese Industrial Standards (JIS), with a view to build and specify expertise.

For its operation, Piolax Engineering Standards Committee is set up, which includes seven working teams for establishing and reviewing standards. They have completed 145 standards to date and perform annual review activity including new standards.



<Education for Next-generation Engineers>

Design Department holds a monthly education program to develop young engineers in all departments related to products. The education curriculum covers a wide range of subjects, including design support tools, quality engineering, automotive structures, environmentally hazardous substances, and the latest automotive technologies.



<Yamabiko Kaizen Activity>

The Yamabiko Kaizen Activity is a general term for monthly improvement activities that have continued since 2007 at Moka and Fuji Plants.

This activity was so named with the aim that improvements will be made at the speed of sound, not the speed of light, and be propagated like a mountain echo (called “Yamabiko” in Japanese). In the activity, persons in charge in the production sites report the site’s improvements and production control status, and the Chief Quality Officer, the Deputy Chief Quality Officer, and Board Members in charge review them on the spot, and this ensures that employees to receive a quick and appropriate response, resulting in raising their motivation. At present, this activity has been expanded to include group companies in Japan, and we are implementing similar improvement efforts at the overseas production sites, striving to improve on-site capabilities and quality strength.



Moka Plant



Fuji Plant



Piolax (Thailand)



Piolax (Wuhan, China)

<Global Production Meeting>

The Piolax Group holds an annual technology-exchange meeting for the manufacturing departments of the production sites in Japan and overseas. It includes activities to increase the levels of quality and technologies, such as providing advice for equipment design (e.g. labor saving, automation), giving guidance for process improvement methods through site visit, and conducting an injection molding skill test for the members of the overseas production sites.



Report from participants



Improvement guidance with actual items



On-site improvement guidance



Mold disassembling training



Injection molding skill test
(Practical test)



Injection molding skill test
(Written test)

<Global Small Group Activity Report Meeting>

Since 1979, Piolax has continued to hold a meeting for improvement activity report for each workplace. This provides employees with an opportunity to directly report their improvement activities to management and thereby raises their awareness for improvement, and this aims to lead to enhancement of individuals' education and on-site capabilities.

Overseas group companies have joined this meeting since 2012, which was then renamed the Global Small Group Activity Report Meeting. This is a meaningful activity where overseas participants can directly experience Japanese "Kaizen" and take it back to their workplaces, which can lead to further "Kaizen." In FY2019, 17 teams, including five female leaders who won the area competitions, participated in it.



<Supplier Engagement>

For the suppliers from which we purchase products and materials, we hold an annual policy explanation meeting (in March) and annual policy interim report meeting (in November). These meetings include an explanation of the Piolax President's policies and purchasing policies, as well as lectures about quality, and provides a forum to have a dialogue about annual activity plan and its progress at the interim period in an effort to strengthen the relationship of trust. During the annual policy explanation meeting, we also hold an awards ceremony according to the annual QCD evaluation system.



<Quality Control Standards>

Purchase Department provides each supplier with the “Quality Evaluation Standards for Suppliers” that reflect the requirements of the IATF16949: 2016, in order to clearly indicate our quality control standards. As an example of our efforts, we have established an inspector certification system for inspectors engaging in the supplier’s final shipment inspection with an aim to enhance product assurance. As of 2019, 480 employees of 85 suppliers have been registered as certified inspectors.



<Cooperating with Suppliers to Meet Environmental Regulations>

We annually distribute the latest version of the Piolax Engineering Standard (PES) summarizing the requirements for environmentally hazardous substances, and we conduct surveys of environmentally hazardous substances and conflict minerals in regard to deliveries to us, such as materials and parts.

The results of the FY2019 survey of environmentally hazardous substances are all in compliance with the in-house standards. For the survey of conflict minerals, we will specify policies concerning procurement. We will strive to improve the accuracy of the surveys by establishing guidelines for appropriate measures taken with suppliers and for responses to their answers, with respect to minerals of concern.

[Safety and Health]

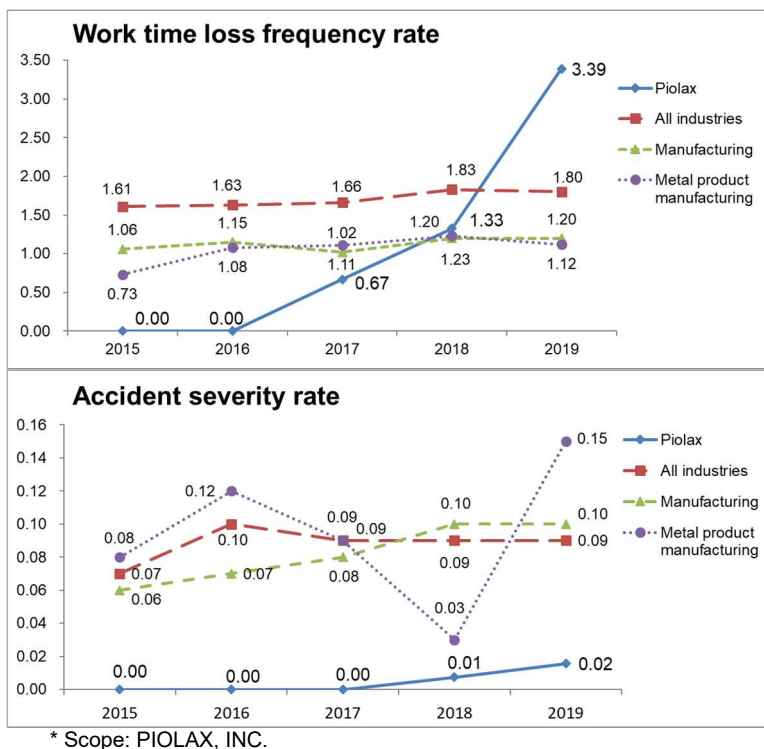
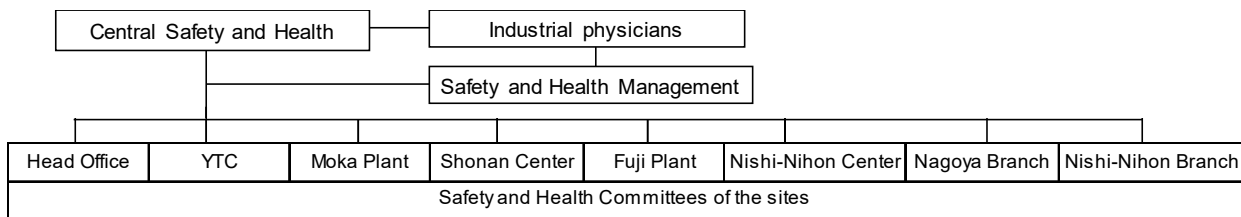
<Piolax Basic Safety and Health Policy>

Occupational injuries	0 (zero)
Traffic accidents	0 (zero)
Occupational diseases	0 (zero)

<Structure for Occupational Safety and Health Activities>

Piolax is promoting the activities by cooperation between the Central Safety and Health Committee and the safety and health committees for respective business sites and plants. The Central Safety and Health Committee is chaired by the President, and consists of the members of the Safety and Health Committees of the sites, industrial physicians, persons recommended by the labor union, and other appropriate persons, and the ratios of members from labor and management are equal.

The purpose is to secure employees' safety in workplaces to contribute to the smooth performance of operations and the improvement of productivity, by defining compliance rules in the "Safety and Health Management Regulations" and by sharing information. A focus is also put in training special qualified personnel.



$$\text{Work time loss frequency rate} = \frac{\text{The number of employees away from work due to occupational injuries}}{\text{Total working hours}} \times 1,000,000$$

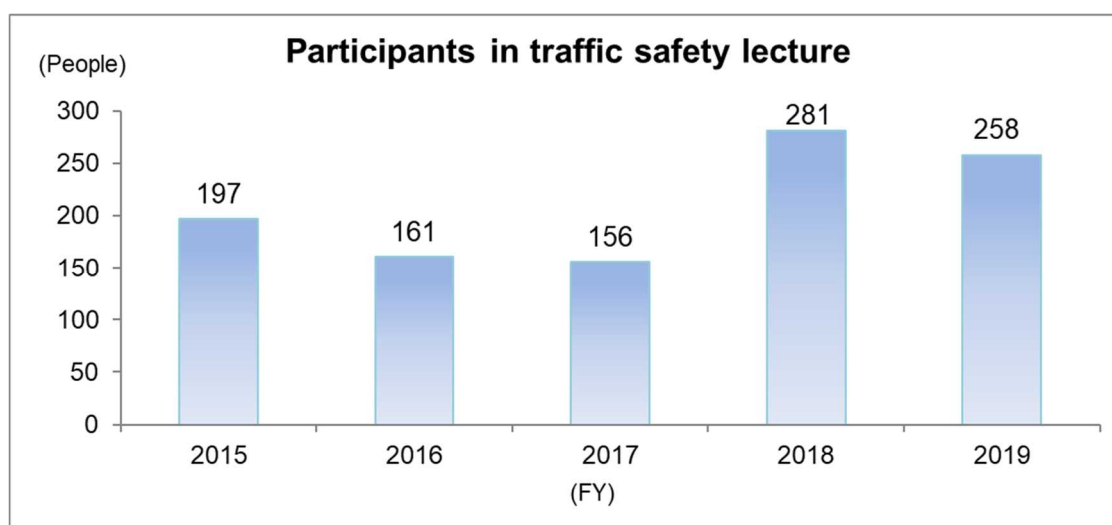
$$\text{Accident severity rate} = \frac{\text{Total number of work days lost}}{\text{Total working hours}} \times 1,000$$

<Elimination of Occupational Injuries>

Occupational injuries are reported during Management Meetings to share the information, and, in order to prevent similar injuries, the heads of respective sites disseminate the information throughout their sites and departments for improvement.

<Elimination of Automobile Accidents>

Since FY2014, we have annually provided a traffic safety lecture given by an outside instructor (from a police station or insurance company), as an effort to prevent traffic accidents. For company vehicles, we have introduced vehicles equipped with safety devices such as a drive recorder and automatic braking.



* Scope: PIOLAX, INC. and its group companies in Japan

<First Aid Training>

We have installed AEDs (automated external defibrillator) in our sites in Japan, and provide first aid training during emergency drills so that more employees can use AEDs.

In case of emergency, we lend the AEDs to neighborhood people.



<Mental Health Measures>

Piolax has set up a dedicated department to manage the safety and health of the employees. With attention paid to the mental health of the employees, a stress check is performed once a year.

【Human Resources】

<Piolax Group Basic Policy on Human Rights and Labor>

The Piolax Group supports and respects human rights-related international norms such as the Universal Declaration of Human Rights. This Piolax Group Basic Policy on Human Rights and Labor is stipulated based on the “Piolax Group Codes of Conduct” and applies to all directors, officers, and employees of the Group.

1) Respect for human rights

The Piolax Group respects fundamental human rights of all people and does not tolerate any harassment.

2) Elimination of discrimination

The Piolax Group does not discriminate on the basis of race, ethnicity, national origin, religion, gender and so on. The Group makes efforts to build a workplace where diverse human resources play active roles respecting one another as important partners.

3) Prohibition of child labor

The Piolax Group prohibits labor of children under the legal working age in its business activities.

4) Prohibition of forced labor

The Piolax Group ensures that all work is voluntary. Employees shall not be engaged in forced labor and are free to terminate their employment.

5) Wages

The Piolax Group complies with laws and regulations of individual countries and regions relating to minimum wages, overtime hours, payroll deduction, and benefits.

6) Working hours

The Piolax Group complies with laws and regulations of individual countries and regions in the decision of employees' working hours (including overtime hours) and the grant of holidays, annual paid leave, etc.

7) Communication and consultation with employees

The Piolax Group communicates and discusses with employees or their representatives in good faith to develop a sound relationship and solve problems. The Group recognizes the right of employees to associate or not to associate freely based on laws and regulations of individual countries and regions.

8) Safe and healthy work environment

The Piolax Group prioritizes the safety and health of employees and prevents labor accidents and disasters.

9) Responsible procurement of materials

The Piolax Group strives not to use conflict minerals and other raw materials that may relate to social issues or inhuman acts.

<Employee Treatment and Evaluation>

We, at the Piolax Group companies, respect human rights at all times and do not allow any act that may lead to discrimination based on gender, age, race, religion, disability, etc. We have not set any discriminatory recruitment or employment conditions based on gender, age, etc.

In personnel evaluation, Piolax objectively and correctly evaluates each employee as to the exercise of their abilities, outcomes, etc., to promote the development and effective use of their abilities and ensure fair treatment. There is no difference in the basic salary and total remuneration given to employees with the same job grade, due to gender. We comply with a policy of equal pay for equal work in accordance with the revised laws.

<Conducting Employee Awareness Survey>

In the Piolax Group in Japan, interviews with employees are held to understand their desire for jobs, problems relating to their workplace environments, etc., thereby leading to improvement. The survey results are fed back to the department heads.

Conducting the survey every year allows the department heads to identify issues within the departments, to take approach to solving these issues, and to increase the department members' satisfaction and their motivation for working.

<Promotion of Diversity>

With its basic policies for human rights and labor, "elimination of discrimination" and "respect for human rights," the Piolax Group will, in any situation of employment, perform activities without discrimination based on race, ethnicity, nationality, religion, gender, etc., and positively respond to diversity.

<Employment of Persons with Disabilities>

The employment rate of persons with disabilities was 1.85% in FY2019, and we will actively hire these persons to increase this employment rate.

	FY2017	FY2018	FY2019
Legally mandated ratio of employees with disabilities	2.0%	2.2%	2.2%
Piolax's ratio	2.25%	2.15%	1.85%

* Scope: PIOLAX, INC.

<Promoting Women's Participation>

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, Piolax is working to create an environment where women can play an active role. We are promoting measures for reviewing childcare-related systems and enhancing understanding of superiors and colleagues.

The percentages of female employees in FY2019 are indicated below. The action plan based on the above Act aims to increase the percentage of women in managerial positions to 3% or higher by FY2023.

	FY2017	FY2018	FY2019
Female ratio in hired employees	12.8%	9.6%	17.0%
Female ratio in employees	17.3%	17.4%	17.4%
Female ratio in managerial positions	2.4%	2.2%	2.9%
Female ratio in director positions	0.0%	0.0%	0.0%
Average years of service: men	15.9	15.5	15.2
Average years of service: women	17.6	17.6	18.1

* Scope: PIOLAX, INC.

The above figures exclude directors, advisors, and temporary employees (contract employees, employees on a short-term contract and part-timers) and include loaned employees from the outside to the company.

<Return to Work after Childcare Leave>

In FY2019, 100% of our employees who took childcare leave returned to work. We will maintain and improve the work environment so that it encourages return to work.

<Post-retirement Re-employment>

With the introduction of a continued employment system, Piolax has employed 100% of the employees who wish to continue working after the retirement age of 60, and they can continue working until the age of 65. We are striving to create a workplace where re-employed employees can play an active role.

<Human Resource Development>

We at Piolax are making efforts to develop the potentials of individual employees, provide them with knowledge and skills, and develop human resources who can contribute to society. In addition to level-specific education according to roles, we provide language education, etc. to foster personnel with global business skills who can respond to changes in business environment. In FY2019, we provided 3,496 hours of educational programs.



Manager and supervisor education

Educational system

Manager and supervisor education, new employee training (including practical training in plants), new employee follow-up training, QC education, language education, harassment education, etc.

Level-specific education (for Managers, Assistant Managers, and Chiefs)

We provide required education to acquire skills necessary for each position.

Language education

With the global expansion of Piolax business, we provide spoken-English education as well as local language education before overseas assignment in order to enhance language skills to be required. We also provide language training for those who wish to take this after they are assigned overseas.

Others

We provide all employees with education for eliminating harassment (power harassment, sexual harassment, maternity harassment, LGBT discrimination, etc.). In FY2019, this education was provided to all 1,124 employees, including those of our group companies in Japan.

<Employee Health Management>

To examine employees' health conditions, we provide regular health checkups according to the laws and regulations. In addition to general health checkups, we also provide special health checkups depending on the type of work.

As a stress check became obligatory by law in December 2015, Piolax has, since July 2016, provided an annual stress check conducted by an external contractor to all employees. The result of the check is notified directly to the person having received the check, and is not disclosed to the company without the consent of the person. We arrange face-to-face guidance provided by an industrial physician for an employee who wish to receive it.

<Labor-management Relations>

Piolax employees are the members of the Piolax's labor union that belongs to the Federation of All Nissan and General Workers Unions. The Piolax's labor union applies a union shop system, so all the employees (excluding those in managerial positions and those re-employed) are the member of the union.

Piolax and its labor union have concluded a collective labor agreement to establish healthy labor-management relations by labor and management standing on an equal footing and fulfilling each other's responsibilities and to cooperate each other to improve productivity, etc., and this aims to

achieve the sustainable development of the company, stable employment for the employees, and maintenance and improvement of the standards of employees' lives.

Although the collective labor agreement is automatically renewed every year, a request for revision or elimination must be submitted three months before the expiration of the effective period.

【Procurement】

The Piolax Group is implementing procurement activities based on the “fair and free competition and transparent relation” as specified in the Piolax Code of Conduct, to pursue high-quality manufacturing and realize sustainable society in cooperation with its suppliers.

<Piolax Code of Conduct (Excerpt)>

Fair and free competition and transparent relation

- (1) We shall comply with laws and regulations of monopoly prohibition and fair competition in each country and region to promote fair and free competition.
- (2) We shall comply with subcontracting law and conduct honest and fair business.
- (3) We shall maintain transparent and sound relation with business partners. We shall not conduct any unjust and illegal act. Further, we shall not give and receive any entertainment, gift, money, or gratuitous benefit beyond common sense.
- (4) We shall neither relate nor yield to antisocial forces, taking firm action.

In order to fulfill its social responsibilities with suppliers, the Piolax Group is working to establish “procurement policies” and “green procurement guidelines” as one of the most important issues.

[Contribution to Society]

The Piolax Group aims to contribute to society through a variety of activities. We are making efforts to contribute to society on a company-wide level and with a variety of organization forms, such as community activities by the Head Office, plants, branches, etc. and local contributions by overseas sites. We encourage each employee to think about what they can do and take the initiative in engaging in social contribution activities.

<Activities in Japan>

Regular cleanup activities for areas around our business sites

We perform cleanup activities to contribute to local environmental conservation.



Offering a place for disaster drill by fire station

Before demolishing the old building of the Yokohama Technical Center, we offered it as a place for a drill by the Hodogaya Fire Station for cooperation in local disaster prevention activities.



Donation of emergency stockpiles

We have emergency stockpiles in the company including food and water and donate those approaching the best-before dates to a food bank, as a contribution to welfare activities.

Plant tours for local elementary school students

We show kids efficient production activities using the division of labor and production lines and introduce the importance of ingenious



Event sponsor

By sponsoring the local event (Hodogaya Shukuba Festival), we contribute to the vitalization of the community.



<Overseas Activities>

Donation of desks to elementary schools (India)

We donated desks to local elementary schools with other Japanese companies. We did this activity in 2018, too.

**Donation to the needy elderly (Mexico)**

We visited facilities where the needy elderly lived, and donated many goods including paper diapers collected from our voluntary employees. In addition, our voluntary employees held a Christmas party for children living in poor communities and gave them toys.

**Release of young fish (Thailand)**

Many employees participated in the release of young fish with the aim of nurturing marine resources.



In addition to the above, we actively perform many activities around the world every year, including donations and nature conservation efforts:

- Donation of used personal computers, by participating in a personal computer donation project for people with disabilities (South Korea)
- Donations for support of cancer patients (the U.K.)

Employee data 1

(Scope: PIOLAX, INC. on a non-consolidated basis)

		Unit	FY2017	FY2018	FY2019
Number of employees		People	531	559	562
	Male		439	462	464
	Female		92	97	98
Average age		Age	40.9	40.8	40.8
	Male		40.9	40.6	40.6
	Female		40.7	41.3	41.6
Average length of service		Year	16.2	15.8	15.7
	Male		15.9	15.5	15.2
	Female		17.6	17.6	18.1
Retention rate (3rd year new graduates)		%	91.7%	85.7%	90.0%
Average annual salary		1,000 yen	6,118	6,178	6,080
Employment of disabled people		%	2.20%	2.15%	1.88%
Employees taking childcare leave		People	5	0	2
	Male	People	0	0	0
		%	0%	0%	0%
	Female	People	5	0	2
		%	100%	0%	100%
Employees taking maternity leave		People	5	0	2
Average overtime		h/month	18.1	18.3	16.0
Union members		People	421	438	439
Female managers		People	3	3	4
	Ratio	%	2.4%	2.2%	2.9%
Female directors		People	0	0	0
	Ratio	%	0	0	0
Foreign employees		People	6	8	11
	Male		3	4	6
	Female		3	4	5
New graduate hires		People	20	20	23
	Male		16	17	19
	Female		4	3	4
Mid-career hires		People	19	32	24
	Male		18	30	20
	Female		1	2	4
Female ratio in hired employees		%	12.8%	9.6%	17.0%
Female ratio in employees		%	17.3%	17.4%	17.4%

*1. The number of employees is the number of people gainfully employed (excluding officers, advisors and loaned employees from the company to the outside and including loaned employees from the outside to the company) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

*2. Average annual salary includes bonuses and extra wages.

Employee data 2

		Unit	FY2017	FY2018	FY2019
Number of consolidated employees		People	3,224	3,226	3,149
	Japan		889	933	927
	Overseas		2,335	2,293	2,222

* The number of employees is the number of people gainfully employed (excluding loaned employees from the Piolax Group to the outside and including loaned employees from the outside to the Piolax Group) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

GRI (Global Reporting Initiative) Standards Content Index

This CSR report is created in accordance with the “core” level of the GRI standards.

<Universal disclosures>

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	102-8	Information on employees and other workers	44,45
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	102-52	Reporting cycle	2
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	102-54	Claims of reporting in accordance with the GRI Standards	2
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<Topic-specific disclosures>

★: Material topic

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	201-3	Defined benefit plan obligations and other retirement plans	Annual Securities Report
	201-4	Financial assistance received from government	Not applicable
GRI202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2	Reporting of senior management hired from the local community	-
GRI203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	-
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GRI204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	-

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GRI206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
GRI301: Materials 2016	301-1	Materials used by weight or volume	-
	301-2	Recycled input materials used	-
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GRI302: Energy 2016 ★	302-1	Energy consumption within the organization	29,30
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	303-3	Water withdrawal	33
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GRI304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	25
	304-2	Significant impacts of activities, products, and services on biodiversity	25
	304-3	Habitats protected or restored	49
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
GRI305: Emissions 2016 ★	305-1	Direct (Scope 1) GHG emissions	29,30
	305-2	Indirect (Scope 2) GHG emissions	29,30
	305-3	Other indirect (Scope 3) GHG emissions	30
	305-4	GHG emissions intensity	29,30
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	305-6	Emissions of ozone-depleting substances (ODS)	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-
GRI306: Effluents and waste 2018 ★	306-1	Water discharge by quality and destination	25
	306-2	Waste by type and disposal method	22,31
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	306-5	Water bodies affected by water discharges and/or runoff	25

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	308-2	Negative environmental impacts in the supply chain and actions taken	-
GRI401: Employment 2016 ★	401-1	New employee hires and employee turnover	50
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-
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GRI402: Labor/Management relations 2016	402-1	Minimum notice periods regarding operational changes	46
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GRI404: Training and education 2016	404-1	Average hours of training per year per employee	45
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	405-2	Ratio of basic salary and remuneration of women to men	44,50
GRI406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Not applicable
GRI407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
GRI408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-
GRI409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-
GRI410: Securities practices 2016	410-1	Security personnel trained in human rights policies or procedures	-

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GRI413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	48,49
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GRI414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	39
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GRI415: Public policy 2016	415-1	Political contributions	Not applicable
GRI416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	-
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GRI418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	20
GRI419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable