

## [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

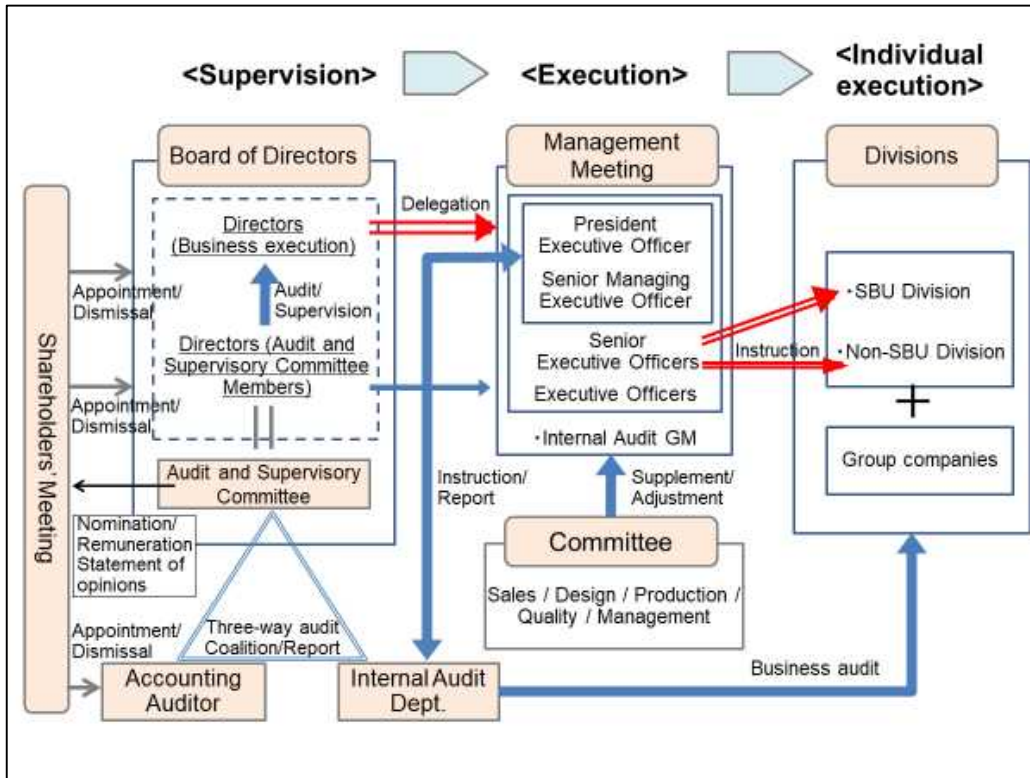
Based on its fiduciary responsibility and accountability to the shareholders, the Board of Directors will adequately fulfill its roles and responsibilities such as planning and executing important corporate strategies and establishing internal control and risk management systems, in order to ensure Piolax's 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 that with an Audit and Supervisory Committee.



- The Board of Directors is chaired by the President and consists of nine Directors (among them, three are Outside 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.

The Management Meeting is chaired by the Senior Managing Director and consists of Representative Executive Officers and Senior 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 the Group's internal control system, including establishing and operating the system and evaluating its effectiveness every year, under the internal control structure headed by the President, in order to achieve 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](#)

### < Corporate Governance Education >

Piolax conducted internal training for all personnel in managerial positions under the theme of "roles and support functions of internal audit". We will strive for sound and continuous growth as a company by recognizing anew how internal audit functions and what awareness employees must have when they work.

[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 cyberattacks 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 deployed stockpiles.

We organized the COVID-19 Control Committee in 2020 to continuously share information about the infectious disease in the entire group. At the same time, we are promoting thorough handwashing, gargling, wearing of masks, temperature checks, disinfection and droplet precautions, and the development of operations and manuals in preparation for infected personnel.



<Disaster Measures>

For preparation for disasters, all employees carry a business 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 business activities, the 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. In addition to 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.

### <Initiatives for Conflict Minerals Regulations>

Human rights protection and labor issues upstream of the supply chain are urgent issues for companies. The Piolax Group is working with its suppliers to investigate these issues, recognizing the importance of responsible procurement of minerals.

### <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.