[Environmental Report]

<Piolax Global Environmental Policy>

The Piolax Group has updated the Global Environmental Policy. The new Environmental Policy declares initiatives for SDGs, as well as energy conservation, compliance with environmental laws and regulations, and environmental protection in all business fields including the medical device business. This policy aims to minimize the impact of corporate activities on the global environment.

Basic Policy

Through our business activities of developing, manufacturing, and selling of our products based on our core technology of “elasticity”, Piolax Group will pursue the realization of a “sustainable society” in which the environment, society, and economy are well balanced.

Slogan

We aim for more balance and harmony with the environment.

Action Guideline

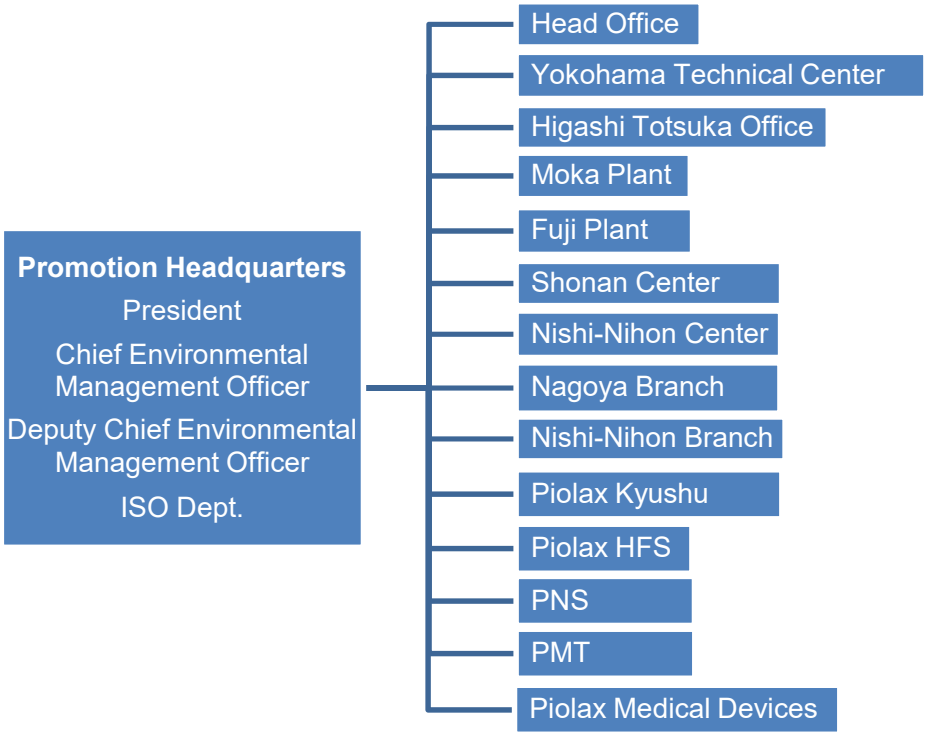
All Piolax Group will work on environmental protection and prevention of environmental pollution in all business areas while continuously improving our management systems and environmental performance.

<Major Actions>

① Promote environmental improvement activities in line with the President’s policy.
② Contribute to Sustainable Development Goals (SDGs).
③ Make efficient use of energy and effective use of sustainable resources.
④ Practice 3R activities (Reduce, Reuse, and Recycle) for the recycling-oriented society.
⑤ Comply with environmental laws and regulations and customer requirements.
⑥ Engage in environmental social contribution activities.

<Piolax Environmental Promotion System>

A promotion headquarters having a site's environmental manager and secretariat is organized at each Piolax business site and its domestic subsidiaries to operate the ISO14001: 2015 environmental management system. Piolax Medical Devices joined this system 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.	

<Compliance with Environmental Laws and Regulations>

In the past three years, the Piolax Group has not violated any laws or regulations, paid any fines or penalties, or violated any spills relating to a significant environmental impact. No environmental complaint against us has been filed with a court.

PCB (high concentration: 4.16 kg) used in the ballasts of the former Yokohama Technical Center is stored in accordance with the Law Concerning Special Measures Against PCB Waste. We are planning to dispose of the PCB in FY2021 as specially controlled industrial waste.

<Important Environmental Issues>

Environmental risks, internal/external changes, and environmental performance are reported during an environmental management review (held annually). “Energy, emissions into the air, and waste” addressed in the materiality analysis are positioned as important environmental issues for the Piolax Group. We will work on 3Rs (Reduce, Reuse and Recycle) in our business activities, strive to achieve the target for reducing greenhouse gas (GHG) and waste throughout the supply chain, mitigate climate change, and effectively utilize water and other resources. In FY2020, we set a target for reducing CO2 emissions in Japan and began efforts toward a decarbonized society.

* Details are indicated in the environmental performance data.

<Activities at Production Sites>

Energy-saving improvement

Piolax and its group companies in Japan have introduced LED lighting equipment and adopted high-efficiency motors and inverter control for their plant and production facilities to implement energy management aimed at energy saving.

LED light in the premises

High-efficiency motor, inverter control compressor, cooling chiller

<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 a conventional acid-alkali treatment to that using a biological denitrification method that can remove nitrogen compounds by the action of microorganisms.

This contributes to environmental protection and biodiversity in the plant's watershed (the Kinugawa River system). The new facility saves approximately 170 tons of water per day compared to the conventional one, reducing the impact on water resources.

Moka Plant: Wastewater treatment facility using a 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 basic functions of the plants in the event of long power outages due to natural disasters. To minimize the risk of power outages, Moka Plant has prepared to supply power during power outages to the heat treatment line and the water supply system, and Fuji Plant to the plant's office and part of the production facilities, 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 as a countermeasure against the risk of flood damage, which has been increasing in recent years.

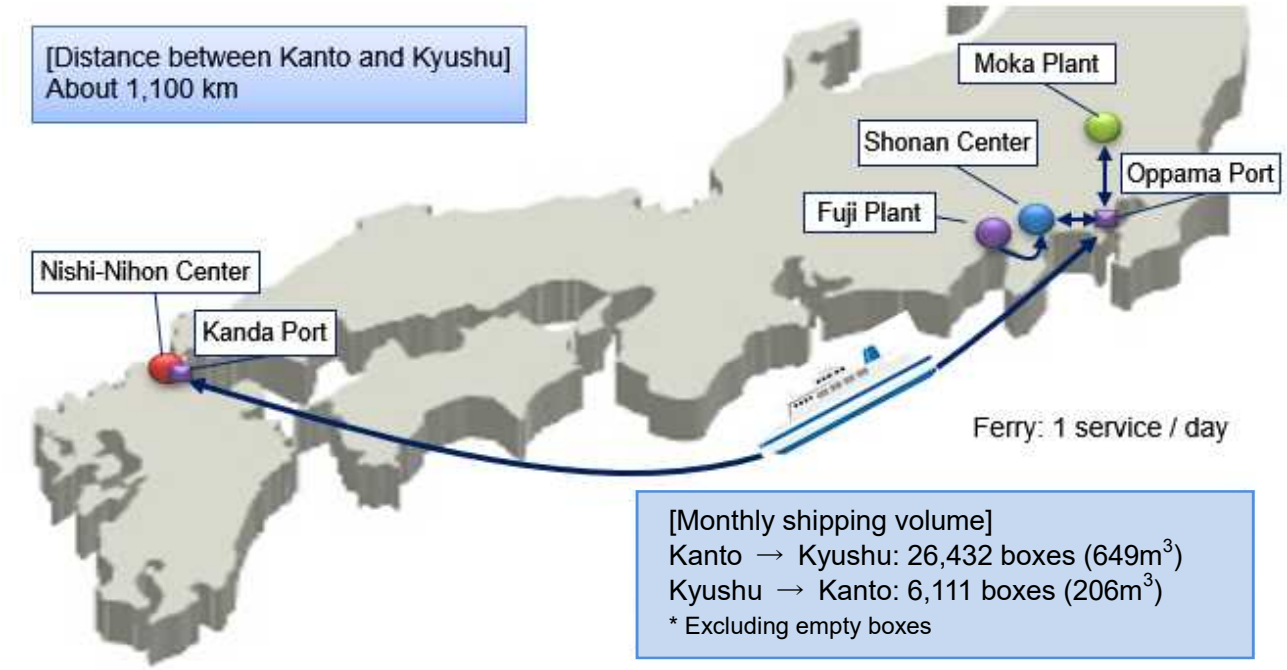
Generators

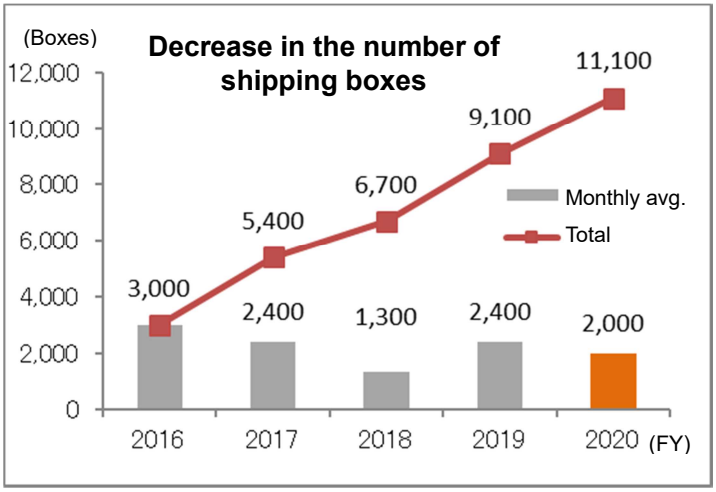
Adjustment pond

<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. In FY2020, we reduced CO_2 emissions by 377 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

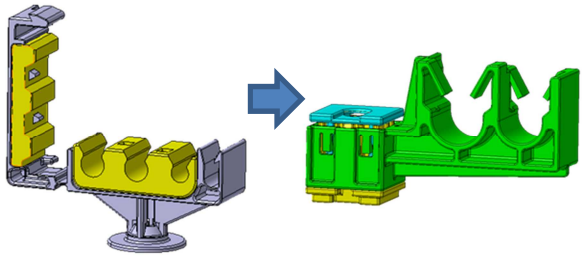
Yokohama Technical Center tracks revisions to each country's laws and regulations and customer requirements related to environmentally hazardous substances and compiles the information into a database for use by development and production engineering sections in an effort to provide our customers with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

Our environmentally conscious products

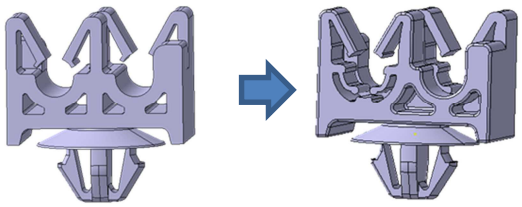
Yokohama Technical Center takes the lead in developing products that contribute to the environment. They include standardized and lightweight fasteners, powertrain units with reduced environmental impact, shared components for improved in-car convenience, and fuel system parts complying with fuel regulations in each country.

Fasteners - Weight reduction and integration of clips for fixing automobile piping

With regard to clips for fixing integrated piping under the car floor and inside the engine room, we have developed clips with a structure that does not transmit vibrations to the car body and have redesigned clips to eliminate the need to use different clips for different piping diameters. These efforts have realized weight reduction of the clips and higher operation efficiency at customers.



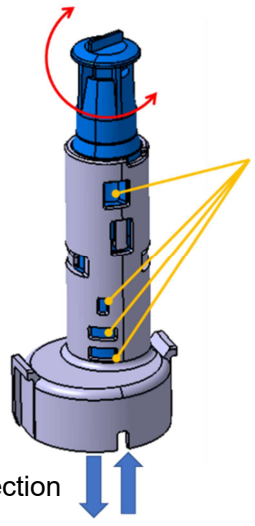
Weight of vibration isolators reduced by 70%



Weight reduced by 4%, piping diameter absorption margin increased by 35%

Powertrain parts - Oil injection and drain tube with an automatic adjustment of drained oil

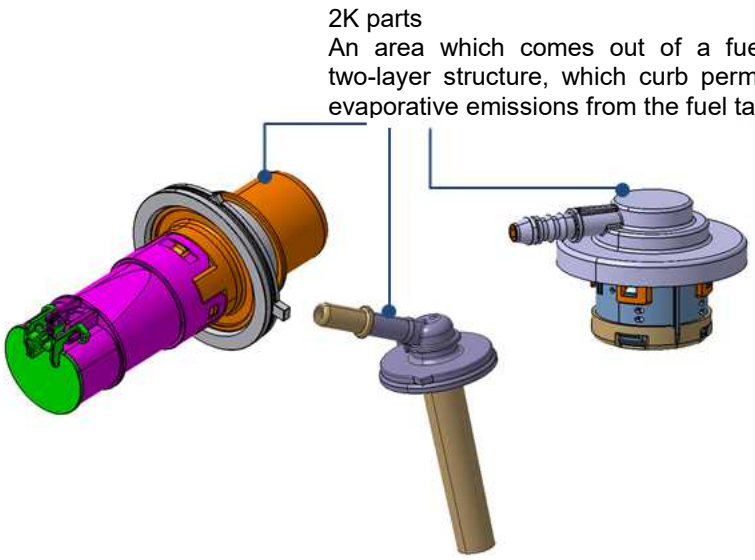
The automatic transmission connected to the engine uses a special oil different from the engine oil.
When the oil was changed, it was all disposed of in the past.
By developing a tube with a valve function that minimizes the amount of oil required for oil change according to the condition of the oil, we have reduced the amount of waste oil and environmental burdens.



Fuel system parts - 2K* parts for automotive fuel tanks

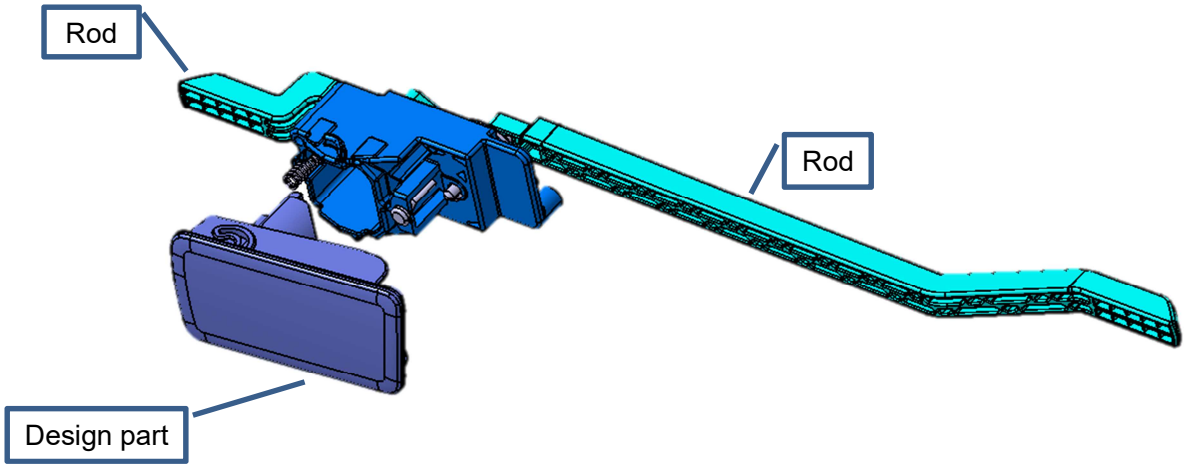
Fuel evaporative emissions that permeate fuel tanks are a cause of photochemical oxidants. To reduce the permeation amount of these emissions, we have developed a series of fuel tank parts using 2K technology that comply with fuel permeation regulations being strengthened in various countries.

* 2K indicates two-color molding technology which uses adhesive resins.
This term comes from a German word “2 komponente” (two components).



Open and close mechanism parts - Shared components of compartment door latches for passenger seats

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>

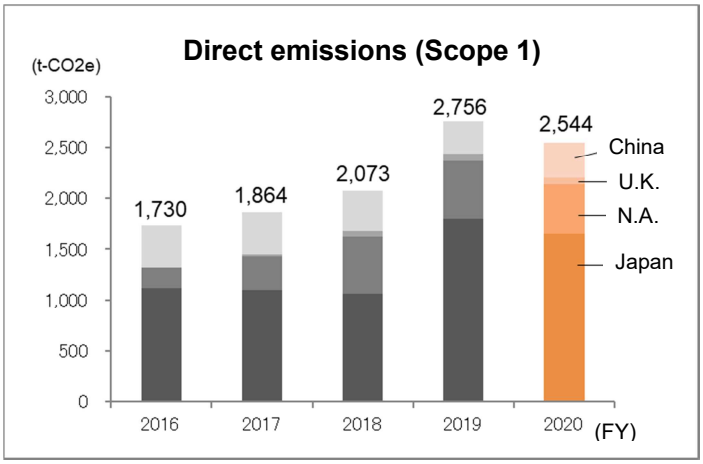
Greenhouse gases from corporate activities

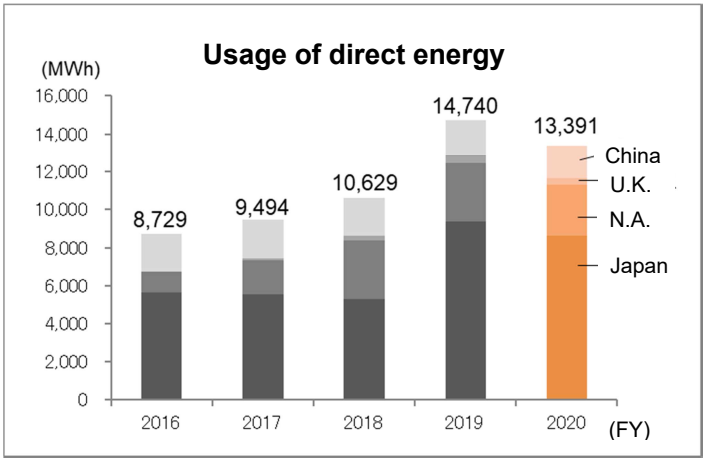
The Piolax Group collects data on greenhouse gas emissions generated by our business activities in association with the following: direct emissions (Scope 1), energy-derived indirect emissions (electricity) (Scope 2), and other indirect emissions (Scope 3) in the supply chain. Direct emissions Scope 1 and direct discharged energy consumption trace back to 2016, and kerosene was additionally calculated.

Scope 1 and Scope 2 (Unit: t-CO2e)

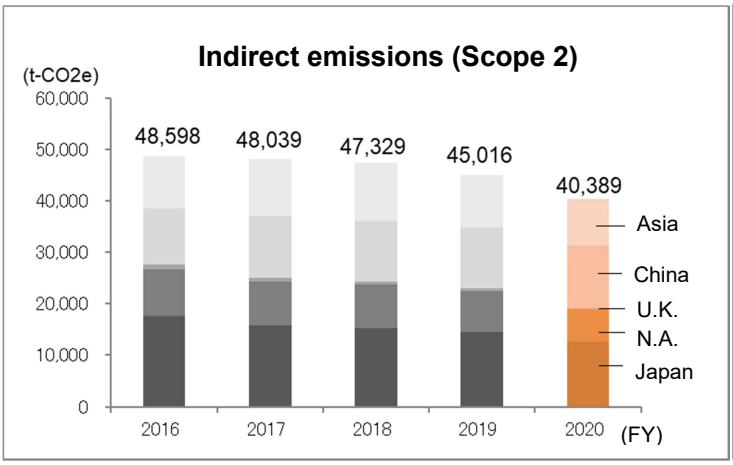
Classification		FY2016	FY2017	FY2018	FY2019	FY2020
Total emissions in the supply chain	Scopes 1+2	50,328	49,903	49,402	47,772	42,933
Direct emissions (Gas, kerosene)	Scope 1	1,730	1,864	2,073	2,756	2,544
Indirect emissions (Electricity)	Scope 2	48,598	48,039	47,329	45,016	40,389

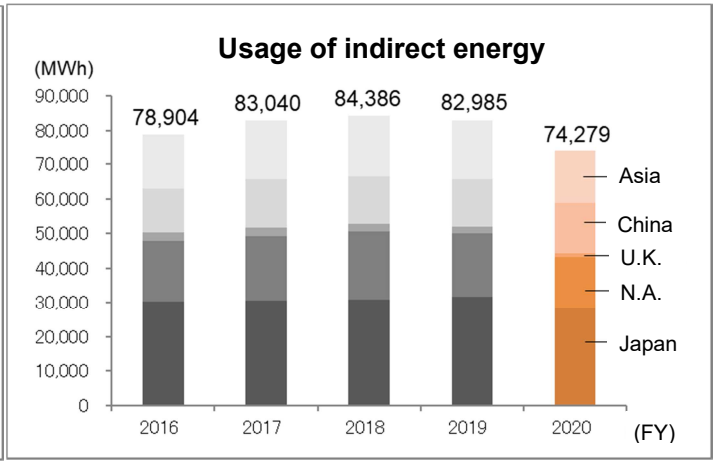
- Scope 1: For emission factors in Japan, the emissions basic unit database (ver. 3.1) which is provided by the Ministry of the Environment for accounting for an organization's greenhouse gas emissions, etc. throughout its supply chain is referred to.
  "List of calculation methods and emission factors in calculation, reporting, and publication systems" (Exhibit 2, emission factors related to fuel use)
  For overseas, contracted companies' values are used.
- Scope 2: Emission factors are calculated using the standard values for the locations.
  Japan: National average factor = A 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 is included since FY2019.
- The unit of energy usage is unified to MWh.
- Kerosene is added, tracing back to FY2016.





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

Scope 3

(Unit: t-CO2e)

Category	Contents	FY2020	Remarks
1	Purchased products and services	37,077	Materials procured: Piolax Group Others: Excluding overseas sites
2	Capital goods	9,220	Equipment and mold investment: Piolax Group
3	Activities related to fuel and energy not included in Scopes 1 and 2	5,515	Electricity, gas and kerosene: Piolax Group
4	Transportation and delivery (Upstream)	1,174	(Ton-kilometer method): Excluding overseas sites
5	Waste from business activities	275	Industrial and general waste: Excluding overseas sites
6	Business trips	46	Excluding overseas sites
7	Employee commuting	455	Excluding overseas sites
8	Lease assets (Upstream)	2,300	Contract warehouses for production plants in Japan
9	Transportation and delivery (Downstream)	2,589	(Ton-kilometer method): Excluding overseas sites
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)	59	1st floor of the Head Office
14	Franchise	NA	NA
15	Investment	NA	NA
Total		58,710	

- Scope 3: The basic guidelines on accounting for greenhouse gas emissions throughout the supply chain (Ver. 2.3) are referred to.

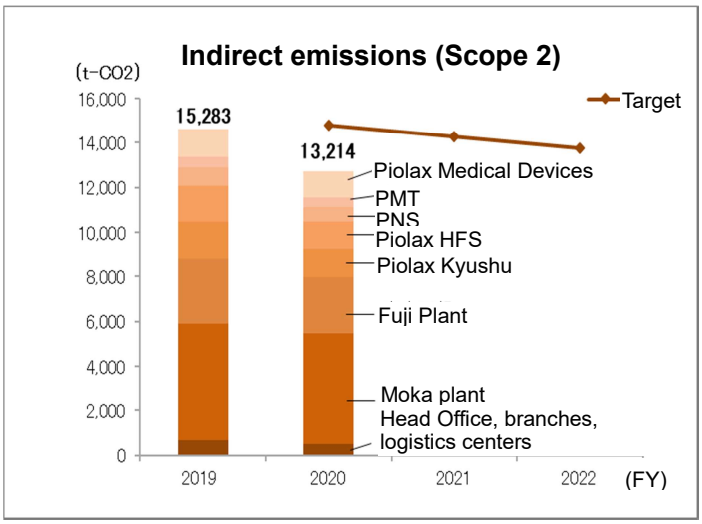
  For emission factors in Japan, the emissions basic unit database (ver. 3.1) which is provided by the Ministry of the Environment for accounting for an organization's greenhouse gas emissions, etc. throughout its supply chain is referred to.

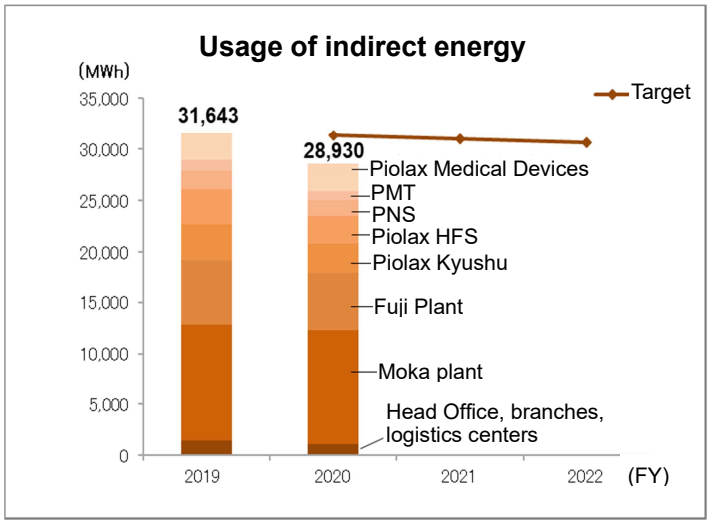
  LCI database IDEAv2 (for calculating greenhouse gas emissions from the supply chain).

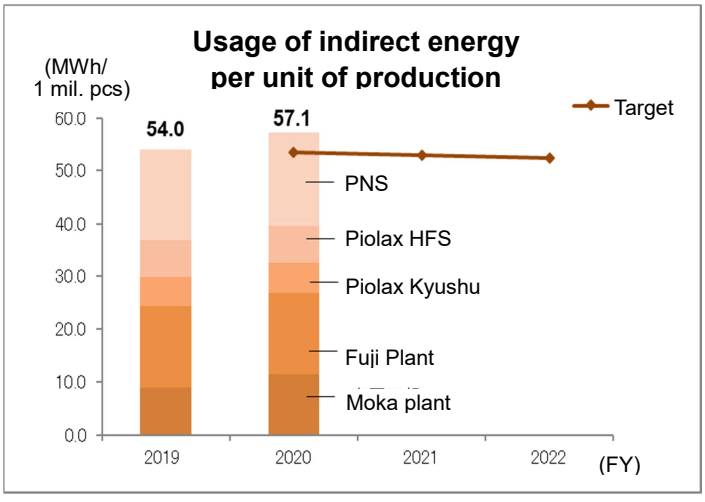
  (Among purchased products in Category 1, data on Japanese subsidiaries' products included in Scope 1 or 2 was reviewed and deleted.)

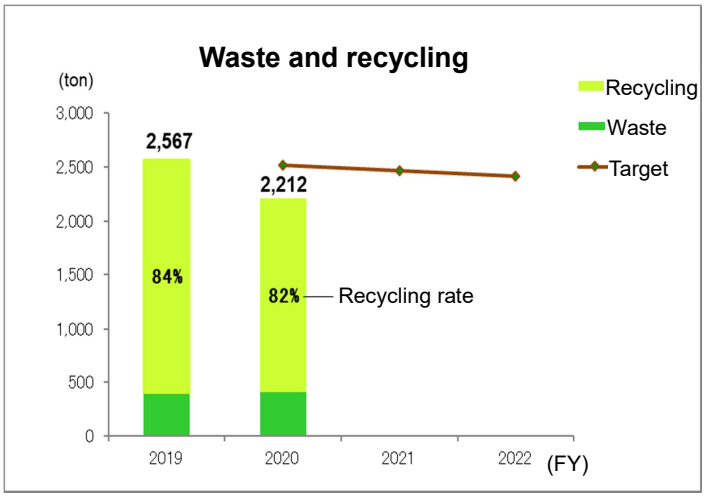
Medium-term environmental targets and results

Piolax and its Japanese subsidiaries have been carrying out activities by setting a 10% reduction in CO2 emissions from electric energy, a 3% reduction in total energy usage, a 3% reduction in energy usage per unit of production (production output: 1 million pieces) by production plants (except Piolax Medical Devices and PMT), and a 6% reduction in the total amount of waste, as the 7th medium-term environmental targets for the three-year plan until FY2022 with FY2019 as the benchmark. In FY2020, CO2 emissions, the total energy usage, and the total amount of waste reduced by 14%, 10%, and 14% respectively from the FY2019 levels, whereas the energy usage per unit of production increased by 6%. This data reflects the impact of the COVID-19 pandemic.





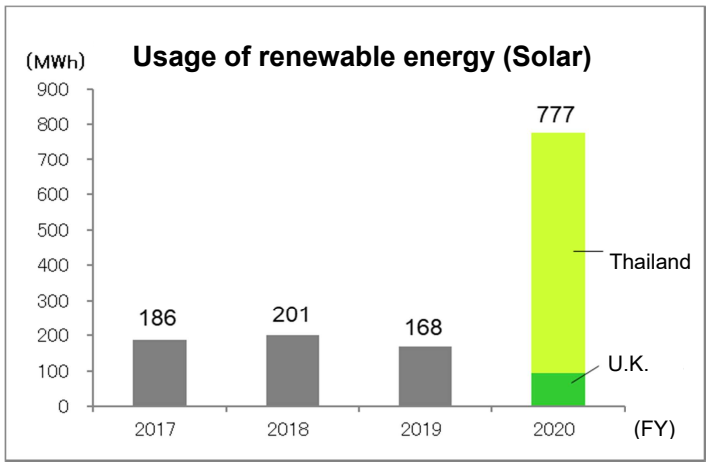




- Usage of indirect energy per unit of production: Piolax and its three domestic subsidiaries (excluding Piolax Medical Devices and PMT)

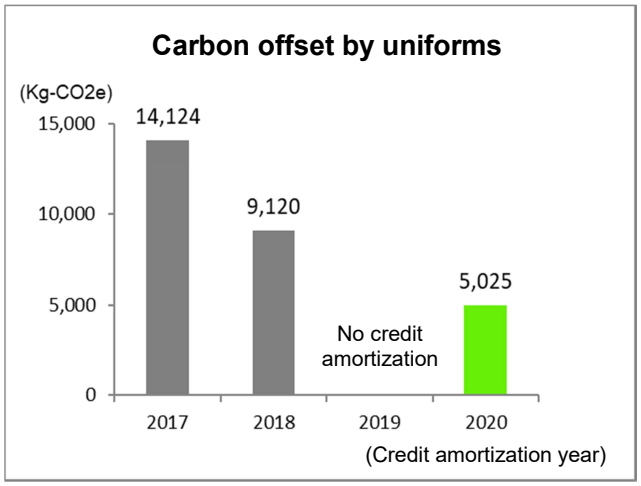
Approaches to renewable energy

PIOLAX LTD. In the U.K. started self-supply of renewable energy by solar panels in 2017, followed by PIOLAX (THAILAND) LTD. in 2020. The effect of greenhouse gas emission reduction in FY2020 was 416 (t-CO2) compared to the market standard.



Approaches to carbon offset

Piolax and its domestic subsidiaries purchase carbon-offset uniforms (work clothes). In 2020, carbon credits for the uniforms contributed to an energy-saving project in which heat-recovery heat pumps were introduced in Nagoya University Hospital.



Water intake data

The Piolax Group keeps track of water intake data for water management. In FY2020, the water intake reduced by 6% from the FY2019 level. In FY2020, we used a third-party water source and renewable groundwater as water intake sources at a ratio of 50:50.

Furthermore, as a water-related risk in FY2020, the amount of water taken from water stress areas (Mexico and India according to the WRI AQUEDUCT Water Risk Atlas (Water Stress Area Extremely High)) is 4,428 m^3 (Mexico: groundwater 2,626 m^3, India: industrial water for industrial complex 1,802 m^3), which is 1.5% of the total water intake of the Piolax Group.